Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0 650	Italy	L 1300	S. Arabia	Rls 5 00
Belgium	BFr 42	Japan	Y550	Singapore	S$ 4 10
Canada	C$1 00	Jordan	Fils 500	Spain	Pts 118
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	LL 8.00	Sweden	Skr 6.50
Egypt	E£1 00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $65
France	FFr. 6.00	Mexico	Pes. 300	Tunisia	Din 0 600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2 50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6 00	U.S.A.	$1 00
India	Rup 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,667 | Friday July 5 1985 | D 8523 B

Telecoms: crossed lines in Europe, Page 14

World news | Business summary

Opec set to start crucial meeting

The Organisation of Petroleum Exporting Countries meets today in a state of greater confusion than ever with the majority of members opposed to any cuts in official prices in response to downward market pressures and the fall in spot market rates.

Mexico, however, the world's fourth largest producer, looks certain to lower its prices next week irrespective of what Opec decides.

Opec crude oil output dropped to 14.5m barrels a day in June, according to the International Energy Agency. Page 4

Israeli strike threat

Israeli public employees threatened to demonstrate outside Prime Minister Shimon Peres' office next Tuesday and go on strike afterwards unless the Government withdraws eusterity plans.

Setback for Hawke

Prime Minister Boh Hawke scrapped crucial parts of his tough tax reform proposals to appease a divided Australia. He bowed to pressure from the unions and axed controversial parts of Keating's plan. Page 4

Politician on trial

Herr Hans-Otto Scholl, former chairman of the Liberal Free Democratic Party in Rheinland-Pfalz, West Germany, went on trial charged with robbing a jeweller's shop at gunpoint and seriously injuring two staff.

FBI hunts killer

The U.S. Federal Bureau of Investigation (FBI) has joined the hunt for the killer of Palau President Haruo Remeliik and the Pacific island is under night curfew.

Cheysson in Tunis

European Community commissioner Claude Cheysson started talks with the Tunisian Government on the effects of Spanish and Portuguese entry into the Common Market next year.

Norwegian appeals

Former Norwegian diplomat Arne Treholt lodged appeals against a 20-year jail sentence for spying for the Soviet Union and Iraq.

Kohl integration bid

West German Chancellor Helmut Kohl said that he would continue to fight for closer political integration in the European Community even at the risk of a major split among member states.

EEC proposals

The European Commission announced new proposals to allow professionals from member states to work where they wish within the community.

Bhopal protest

Police arrested 271 people protesting over losing their jobs when the Union Carbide pesticides factory, site of India's poison gas disaster, is formally closed down next week. **Bhopal aftermath, Page 4**

Bombay tax raids

Trading on the Bombay Stock Exchange came to a halt when hundreds of tax officials stormed the offices of brokers in a raid to find untaxed money.

W. German arrests

Police have raided a Red Army Faction guerrilla hideout near Frankfurt and arrested two women.

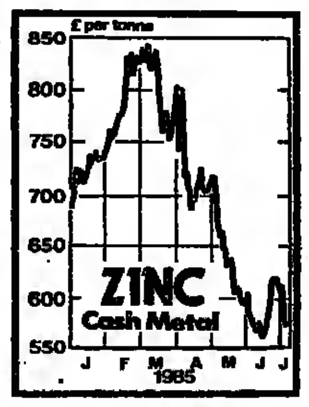
Navratilova v Lloyd

The Wimbledon women's singles final will be between defending champion Martina Navratilova, who beat Zina Garrison 6-4, 7-6 in one semi-final, and Chris Lloyd, who beat Kathy Rinaldi 6-2, 6-0.

European bourses reach records

BOURSES in West Germany, the Netherlands, Switzerland and Italy reached new peaks in active trading. Frankfurt was supported by heavy foreign buying of financial and automotive stocks and the Commerzbank index added 13.8 to 1,475.0. **Page 18, Page 34**

HANSON TRUST: Shareholders took np 80 per cent of ordinary shares issued as part of record £519m ($675m) rights issue, confounding gloomy predictions that the issue by the fast-growing British-based industrial holding company would flop. A larger proportion of the issue's convertible preference shares was likely to be left with the underwriters. **Lex, Page 16**



ZINC followed Wednesday's sharp decline with another fall on the London Metal Exchange, leaving standard grade down £11 to £572 a tonne. The downward trend halted on news that Vielle Montagne, Belgian producer, lost 6,000 tonnes of output because of a strike. **Page 26**

LONDON equities staged a mild recovery. The FT Ordinary share index rose 9.6 to 951.9. Gilts were marginally ahead. **Page 34**

TOKYO shares hit another record high with a 45.29 surge in the Nikkei-Dow market average to 12,969.59. **Page 34**

WALL STREET and other U.S. financial markets were closed for the Independence Day holiday.

DOLLAR was slightly weaker in quiet London trading, closing at DM 3.0315 (DM 3.034), SwFr 2.5435 (SwFr 2.542), FFr 9.2275 (FFr 9.2375) and Y247.7 (Y248.0). On Bank of England figures, the dollar's exchange rate index was unchanged at 143.7. **Page 27**

STERLING was firm in London, gaining 55 points against the dollar to $1.3175. It was also higher at DM 3.99 (DM 3.9825), SwFr 3.3475 (SwFr 3.335), FFr 12.1475 (FFr 12.11) and Y326.25 (Y325.25). The pound's exchange rate index rose to 61.6 from 81.3. **Page 27**

GOLD rose $0.25 on the London bullion market to $310.75 and was unchanged in Zurich, also at $310.75. **Page 26**

PECHINEY, the French state-owned aluminium company, is to set up a FFr 280m ($30.3m) integrated circuits plant in Normandy using Japanese technology. This is one of the most important examples so far of Japanese involvement in the French semiconductor industry. **Page 3**

THE MYSTERY buyer who has spent an estimated L180bn ($93m) to build a 47.8 per cent stake in the Bonomi family's Bi-Invest group yesterday disclosed that he had received an offer from "an important Italian group" to buy the share stake and, therefore, possibly take effective control. **Page 17**

PRUDENTIAL Assurance of Australia have made a A$46.6m ($31.17m) bid for property lending and development group Network Finance in which it holds a 20 per cent stake but 32 per cent shareholder Hooker Corporation sees its holding as a long-term investment. **Page 19**

WHEELOCK Maritime International, Hong Kong's lossmaking shipping group, has gone into voluntary liquidation. **Page 17**

Reagan attempt to block Beirut flights may founder

PRESIDENT Ronald Reagan's attempt to secure international agreement on suspending air services to and from Lebanon looks unlikely to win much early support and may founder altogether, write our Foreign Staff.

The U.S. is essentially calling for the withdrawal of landing rights for Middle East Airlines (MEA), which operates out of Beirut, since all major international airlines have already suspended their services to Lebanon in security grounds.

However, many European governments currently accepting MEA services doubt that a suspension is a credible response to the terrorist problem and fear that any precipitate moves may only increase instability within Lebanon.

They are also taking seriously indications coming out of Syria yesterday that Damascus' attempt to secure the release of 12 foreign nationals still held in the Lebanon, including seven Americans, could be adversely affected by punitive action by the U.S. and others.

The Syrian official press yesterday called for an Arab boycott of American airlines if the U.S. attempts to retaliate against the hijacking of the TWA jet. At the same time, the Lebanon said it was planning to protest at the United Nations over U.S. plans to isolate Beirut airport.

Newsagencies reported from Beirut yesterday that an extremist Shia faction had warned that the seven Americans could face "a black fate" if President Reagan persisted on his present course.

However, Mr George Shultz, the U.S. Secretary of State, has repeated that there will be no backing down on efforts to close Beirut Airport. "We must not only think about the present but also about the future and recognise that we have a place that has become a genuine menace," he said.

MEA operates regular service into at least nine West European countries and nooe appear ready to take unilateral action. Some, such as Austria, are refusing any kind of boycott. Mr Leopold Gratz, the Austrian Foreign Minister, warned yesterday against measures designed "to hit the wrong ones and to transfer the injustice to terrorism to the whole state of Lebanon."

America's closer allies are treading more gingerly, hut they are finding it as difficult to find a common response to Washinton's lead as in previous instances of U.S. boycotts over the Iranian hostages, the Soviet invasion of Afghanistan and the Polish repression of Solidarity.

France, which is a 28 per cent shareholder in MEA, has rejected any action against its services, as has Greece. The British Government has taken the middle line, broadly supported by most other EEC countries, of wanting further moves to combat terrorism while insisting that they should be on a multilateral hasis.

Discussion by officials at last week's Milan summit did not produce any consensus on immediate measures against MEA, but the U.S. plan will be discussed hy EEC foreign ministers on July 22.

Parallel talks among the seven industrialised countries represented at the Bonn summit in May were due to be continued at official level early this month. But this meeting has been put back to the last few days of July partly, it is said, at Japan's request.

With little prospect of any supportive action for the U.S. this month, European governments are hoping that in the meantime the Lebanese authorities will make an MEA han unnecessary by taking credible measures to tighten security at Beirut airport.

President Amin Gemayel yesterday discussed further security measures with ministers and army and police officers.

Israel maintains control, Page 4

VW's first-half profits exceed total for 1984

BY LESLIE COLITT IN BERLIN

VOLKSWAGEN, the West German motor group, reports a dramatic recovery in profits for the first half of 1985 with earnings after tax rising to DM 280m ($92.36m).

The performance compares with DM 228m for the whole of 1984 when profits were hit by the metalworkers' strike. It follows from a 20 per cent increase in sales with mainstream European markets buoyant and exports to North America running at a high level.

The outcome confirms the pattern of trading set recently by other European motor groups, notably Opel and Ford of Germany.

Opel (part of the General Motors group) recently moved out of the red for the first five months of 1985, while Ford-Werke said it shortly expected to reverse its losses for 1984.

Dr Carl Hahn, Volkswagen's chief executive, told a shareholders' meeting in West Berlin that the VW group boosted international sales in the first half year by 4 per cent to some 1.2m vehicles. Sales in Western Europe – apart from West Germany – reached a record 402,000 and were 18 per cent higher than the previous best year, 1982. For the first time they exceeded sales on the German market, which fell 3 per cent to 382,000 units.

Dr Hahn said VW also expected positive, although "not entirely satisfactory," results in the remainder of the year. He further indicated dissatisfaction with earnings – which came to roughly 1 per cent of turnover in comparison with the profitability of the company's Japanese and U.S. competitors.

Dr Hahn attributed the drop in West German sales to uncertainties over new car pollution controls which caused widespread resistence among potential buyers in the first quarter. However, VW lost fewer sales than the rest of the German motor industry. It also managed to lift its market share to 28.7 per cent from 27.5 per cent a year ago. Herr Hahn welcomed the recent European compromise on the introduction of pollution controls.

In the vital U.S. market, Volkswagen sold 146,000 cars, or 2 per cent more than in the first half of 1984. The new model Golf produced at VW's Pennsylvania plant had a slow start, with 10 per cent fewer units sold in the first six months compared with last year. VW's American factory, which is producing 460 cars daily, is still losing money.

VW's recovery in Brazil, from a low point in 1962, was hit by a strike in April and May which left domestic vehicle sales down 15 per cent in the first five months. VW output in Mexico rose by 17 per cent in the same period, and the company beld on to its one-third share of the market. The Mexican subsidiary was also unprofitable, however. Sales in the depressed South African market in the January-June period were down 23 per cent over 1984, although VW's market share rose to 15 per cent and was second to Toyota.

Dr Hahn said talks were currently taking place with Seat, the Spanish car manufacturer, with whom VW concluded a wide-ranging co-operation agreement in 1982, on a financial share in the Spanish company. Several important issues remained outstanding.

VW's West German plants were operating flat out and further investments would be needed to increase capacity, Dr Hahn said. VW is currently working additional Saturday shifts in order to cut the queues which have built up for most models. Some 4,300 new employees have been hired in West Germany so far this year, and more may be taken on if sales continue to flourish.

Lex, Page 16

Peugeot to seek funds for expansion

By Paul Betts in Paris

PEUGEOT, the French private car group embracing the Peugeot, Talbot, and Citroën marques, will issue FFr 925m ($100m) of new stock next week to strengthen its capital funds and help to finance its investment programme.

The decision of the car group to issue 2.5m new shares reflects Peugeot's return to confidence following its financial recovery after several consecutive years of heavy losses. The group expects to break even or show a small profit this year.

The new shares will be offered at a price of FFr 370 each and will carry a nominal value of FFr 70 each. There are at present 12.5m Peugeot shares outstanding.

Peugeot asked its shareholders at its annual meeting last week to give up their preferential subscription rights for the new issue. This means that the car group can go straight ahead with its capital increase at a time when Peugeot shares have been rallying on the Paris bourse.

The FFr 370 price for the new shares is about FFr 20 lower than Peugeot's current share price. Peugeot shares last week hit a high for the year of FFr 417 on the Paris bourse after trading as low as FFr 220-230 earlier this year.

The new equity issue – one of the first by a major French private group since the left came to power in 1981 – follows a series of other fund raising operations by the car group. In all, the group expects to raise about FFr 6hn in fresh long-term funds this year.

The new issue will raise the nominal capital of the group by FFr 115m to FFr 1.05bn. The new issue will lead to a dilution of about 20 per cent.

Total outstanding shares will be further increased by 4m shares when subscribers of a FFr 1bn issue

Continued on Page 16

Lex; Besse's health cure for Renault, Page 16

Spain's finance chief quits in Cabinet shakeup

BY TOM BURNS IN MADRID

SR Felipe Gonzalez, the Spanish Prime Minister yesterday announced sweeping Cabinet changes, dropping five ministers from his Government. They included Sr Miguel Boyer, the Economy Minister and architect of Spain's austerity policy for the past 2½ years. Earlier, be had asked for the resignation of Sr Fernando Moran, the Foreign Minister.

It was the first Cabinet shake up since Sr Gonzalez took office in December 1982 after his Socialist party won a landslide election victory.

The chief surprise of the reshuffle was the departure of Sr Boyer, which was a last-minute and unplanned development.

The Prime Minister said that Sr Boyer had tendered his "irrevocable" resignation alleging that he was "tired" of his post. Sr Gonzalez paid tribute to Sr Boyer and stressed repeatedly that there would be no change in the economic policy mapped out by the outgoing minister.

The Prime Minister said that he "lamented" the departure of Sr Boyer and that he had tried in vain to persuade him to remain in the Government.

Sr Carlos Solchaga, the Industry Minister and one of Sr Boyer's chief supporters in the outgoing Cabinet, was appointed to the Economy and Finance portfolio.

Sr Gonzalez rejected reports that Sr Moran had been sacked from the Foreign Ministry because he was lukewarm over Spain's continued membership of Nato. He said he had dismissed the Foreign Minister because, following Spain's entry into the Common Market, a new stage would begin in foreign relations.

THE SPANISH GOVERNMENT

Prime Minister	Felipe Gonzalez
Deputy Prime Minister	Alfonso Guerra
Foreign Affairs	Francisco Ferñañdez Ordoñez
Justice	Fernando Ledesma
Defence	Narcis Serra
Economy	Carlos Solchaga
Interior	Jose Barrionuevo
Public Works	Javier Saenz de Coscullnela
Education, Science	Jose Maria Maravall
Labour, Social Security	Joaquin Almunia
Industry and Energy	Joan Majo
PM's office	Javier Moscoso
Agriculture	Carlos Romero
Transport	Abel Caballero
Culture, PM's spokesman	Javier Solano
Local Administration	Felix Pons
Health	Ernesto Lluch

In a surprise appointment, Sr Francisco Ferñañdez Ordoñez, a former minister in the centre-right administrations of the 1970's, was named Foreign Minister. Sr Fernandez Ordoñez switched his allegiance to the Socialist party shortly before the last elections and held the post of chairman of Baño Exterior de España, the specialist export bank which is two-thirds owned by the state.

Sr Ferñañdez Ordoñez is likely to be far more supportive than his predecessor of the Prime Minister's bid to keep Spain in Nato. Sr Gonzalez remains committed to a promise to stage a referendum on the Nato issue

French videotex victim of its own success

By David Marsh in Paris

A SUCCESSION of network failures in France's nationwide videotex system – the most extensive in the world – has served notice of how a society built on information technology can become vulnerable to electronics breakdown.

The Direction Générale des Telecommunications (DGT), the national telecommunications authority, has decided to suspend until September distribution of the Minitel terminals installed in homes and offices to combat overloading of the data transmission system which links the screens to central computers.

The move has sparked off a torrent of protests from users of the terminals. They have been spread progressively around the country as part of a massive state-subsidised scheme to popularise information technology. About 1,200 different information services – ranging from the post office's electronic telephone directory to data networks offered by banks, local authorities and newspapers – are oow available.

The Posts and Telecommunications Ministry yesterday claimed that the overloaded Transpac packet switching network which lies at the centre of the difficulties was "a victim of its own success."

M Louis Mexandeau, the Telecommunications Minister, said distribution of Minitels would be resumed in September following work during the summer to iron out the faults.

The failure to cope with expanded traffic has been ascribed to shortcomings in computer software in the network.

The root cause, however, is that the central computers in the Transpac system, set up in 1979, appear not to have been extended sufficiently to take account of the far greater number of individual clients now interrogating their Minitels.

Ministry officials point out that Transpac was set up initially to cope with relatively regular traffic of computer data fed into the system by business users such as banks, companies and airlines. Overloading in the data processing parts of the network, however, has arisen in the last fortnight as a result of a large rise in public use, especially in large city areas around Paris, Lille and Marseille.

Users and providers of information networks, including the daily newspapers Liberation and Parisien Libere were, however, vehement in criticising the telecommunications authorities for making insufficient preparations for the hulge in traffic.

EEC shipyards win more aid

BY PAUL CHEESERIGHT IN BRUSSELS AND ANDREW FISHER IN LONDON

THE EUROPEAN Commission yesterday approved higher state subsidies to EEC shipyards to narrow the huge cost gap with yards in the Far East. The price for obtaining approval, however, will be additional cuts in capacity.

The Commission yesterday authorised higher subsidies by the British, Italian and Dutch governments to shipyards in their respective countries. Although it linked its approval to new reductions in capacity, Brussels did not specify where cuts should be made or how large they should be. The Commission can authorise subsidies if they are linked to restructuring.

The Commission began legal action against the UK, Italy, the Netherlands and France a year ago, claiming that the pace of reducing capacity was too slow.

The new agreements with three of the governments mean an end to the legal action. France is still negotiating with the Commission on subsidies.

The West German Government has been trying to reduce aid to the industry, although it offers financial incentives to shipowners who build in domestic yards. The big AG Weser yard in Bremen was closed just over a year ago and other yards have been struggling

The Commission yesterday authorised the following levels of subsidies:

Italy can spend L75bn ($38.6m) on production subsidies of up to 25 per cent of a ship's price, with higher rates for the Mezzogiorno in the south.

The Netherlands will be able to top up its 8 per cent subsidies by a further 3 percentage points. In April, the Van der Giessen yard near Rotterdam lost a $50m ferry order after the Dutch Government refused to grant a big enough subsidy. The order went to Japan.

Britain will be allowed to lift subsidies from 17 per cent to 22.5 per cent at English and Scottish yards of state-owned British Shipbuilders. Harland and Wolff in Belfast, also state-owned, will be able to increase them from 18 per cent to 27 per cent.

Britain had asked for subsidies as high as 35 per cent, so major orders could be kept in its yards, which have already experienced heavy redundancies. The UK subsidies will cost up to £140m ($182m) over 18 months.

British Shipbuilders and Harland and Wolff have had considerable success recently in winning new business, but a £10m order for a new lighthouse patrol ship for Britain was recently placed in South Korea, which offered a much lower price.

CONTENTS

ITALY'S NEW PRESIDENT CONFIRMS GOVERNMENT IN OFFICE

Craxi's economic problems mount

BY JAMES BUXTON IN ROME

SIG BETTINO CRAXI, Italy's Socialist Prime Minister, was yesterday confirmed in office by Sig Francesco Cossiga, the new President. He offered his resignation as a matter of traditional courtesy to the new head of state, but in a brief meeting at the Quirinale Palace it was rejected.

Thus, the Craxi Government is set to continue. Early next week it will move from third to second place in the league table of Italy's 44 post-war governments for having lasted 23 months. It would then have only to survive until about the end of October to go into first place.

Despite the atmosphere of unusual political tranquility, however, important decisions about the future of the Government have to be taken in the next few weeks. Contrary to earlier suggestions, however, it now seems unlikely that there will be a big change of the 30-man cabinet. One or two ministerial changes are likely to be made by agreement between the five parties of the ruling coalition.

More difficult may be the drafting of a new programme for the Government to pursue since in the first 23 months of its existence, it has successfully implemented those parts of its programme which were less difficult to carry out.

Yesterday, Sig Craxi's inner cabinet held a preliminary meeting to consider the economy's mounting problems which have received little attention this year because of the local elections, the referendum on wage indexation and the election of the new President.

The public sector deficit is thought to be running at a rate that will overshoot this year's target of L100,000bn (£39.5bn) by about L10,000bn. Some measures to raise extra revenue to plug the gap are expected to be hammered out in the next few weeks.

Thanks in part to the high deficit the Italian inflation rate shows no sign of falling. It is stationary at 8.7 per cent, while imports being sucked in by high domestic demand are causing a steadily worsening balance of payments deficit. In the first five months of this year the overall deficit was L8,057bn, double the figure for the same period of 1984.

Apart from the need for short-term measures to correct the trend of the economy, the governing parties face the need to agree on a longer term plan for economic reform which would involve cutting government spending, especially on the lavish pension system.

As well as discussing these issues, political leaders must also reach agreement on the future shape of Italian local administration. Few firm decisions have yet been taken on the different coalitions of parties which will rule Italy's cities after the shake-up of the elections of May, in which the Communist party lost ground.

Aeritalia chief says Panavia can build EFA

BY OUR ROME CORRESPONDENT

SIG RENATO BONIFACIO, the chairman of Aeritalia, the leading Italian aerospace company, said yesterday he believed that the Panavia consortium of Britain, West Germany and Italy which built the Tornado could build the new European fighter aircraft (EFA) if France went its own way.

"It is a political decision which it would be up to governments to take," said Sig Bonifacio. "But from an operational point of view we would not expect any difficulty in realising the fighter. We have a long tradition of collaborating at the industrial level and the air forces of our three countries co-operate well."

Sig Bonifacio's statement, made in an interview with the *Financial Times*, is the first time a senior official of the Italian aerospace industry has publicly voiced the possibility of the Panavia consortium building the European fighter aircraft on its own. British ministers and industry officials have publicly raised the possibility.

Aeritalia has a 15 per cent stake in Panavia, in which British Aerospace and MBB of West Germany are equal senior partners. Sig Bonifacio said that he hoped agreement would be reached at a meeting of defence ministers from France, Britain, West Germany, Italy and Spain later this month which would enable the EFA project to go ahead as a five-nation scheme. "But nobody can say whether it will go ahead or not."

The project for constructing the EFA as a five-nation project is widely considered close to failure, because of major differences between France and the other four countries over what type of aircraft to build and over France's desire for leadership of the project.

Sig Bonifacio said: "We have both the engineering experience and the management experience of running a joint project without a single leader."

He stressed that Aeritalia was keen to expand its existing collaboration with the British aircraft industry. The company recently shipped a carbon fibre wing to be assembled by British Aerospace in its advanced demonstrator aircraft

UK yields to Brussels over oil licensing

By Dominic Lawson

THE UK Government has agreed to drop "Buy British" rules in future oil and gas licensing rounds in the face of a European Commission threat to take Britain to court for infringing the Treaty of Rome.

The Commission said yesterday that some of the existing UK rules governing the award of licences to explore for and develop oil and gas in the North Sea "seemed to indicate that the UK Government was discriminating against companies based in other member states, and was pursuing a "Buy British" policy in relation to the supply of goods and services for North Sea exploration and exploitation."

The Commission's interest was sparked by a complaint from Verein Deutscher Maschinenbau-Anstalten, the West German mechanical engineering association.

Two rules in particular were objected to. One decreed that licences would be awarded with reference to the applicant's intention to benefit the UK economy. The other, introduced last year in the ninth offshore licensing round, warned that applicants should show willingness to give research and development contracts to UK-owned companies.

However, the Commission said yesterday that it had been assured by the British Government that its oil licensing policies "are interpreted in a manner consistent with the provisions of Community law."

The Commission said that, as the UK Government now proposed to remove the offending criteria from all future licensing rounds, both onshore and offshore, "the Commission has decided to close the file on the present complaint."

It emphasised yesterday, though, that it would be vigilant in investigating any future complaint against the UK's North Sea procurement policies.

Although the Commission had threatened Britain with immediate court action if the rules were not amended it had received no evidence from European companies that they had been discriminated against in specific North Sea awards.

Kohl seeks to ease differences with UK over EEC integration

BY RUPERT CORNWELL IN BONN

CHANCELLOR Helmut Kohl yesterday sought to smooth over the angry differences which surfaced between Britain and West Germany last weekend at the Milan EEC summit over means of achieving greater integration of the Community.

The West German leader told a Press conference here that the basic positions of the two countries were not wide, particularly over strengthening co-operation in the field of foreign and security policy. West German arguments generated bitter criticism from Mrs Thatcher in the immediate aftermath of the summit.

Herr Kohl rejected suggestions of hypocrisy on Bonn's part, in using its veto to block a cut in EEC grain prices and in the next breath advocating greater use of majority voting to achieve decisions. Herr Kohl maintained that West Germany had merely made use of the same rights in the Community as Britain claimed for itself.

Bonn and Paris had made a joint proposal for a new Treaty "but we are ready to work closely with Britain, too. In this field. I do not think that exchanges of criticism across the Channel are very helpful," the Chancellor said.

However, in what could be interpreted as a rebuke to London, the Chancellor made plain that Bonn would not be content to see the Community develop as a free trade zone and no more. Nor, he suspected, would it be possible to secure by unanimous agreement the completion of a single internal Community market, on which Britain is placing priority.

Kohl: smoothing over

Brussels backing for professions

BY IVO DAWNAY IN BRUSSELS

THE European Commission yesterday began its assault on the barriers to a free internal market for people, goods and services by approving a draft directive aimed at speeding the mutual recognition of diplomas between member states.

The aim of the directive is to allow professionals the freedom to practise their skill freely in any Community country. But its importance is perhaps greater as the first step down the route laid out by the White Paper on freeing the internal market presented last month and broadly approved by heads of government at the Milan summit last week.

Lord Cockfield, the internal market commissioner, has emphasised that the draft directive is proof of the Commission's determination to meet the timetable that requires completion of the market by 1992.

Under the draft directive, member states will be required to recognise diplomas or university degrees awarded in any member state as a right to practise in the relevant profession in any other. It marks the official abandonment of the search for "equivalence" in the value of educational qualifications in favour of a system of trust.

This operates on the principle that a measure of competence to practise in one country must be accepted as sufficient in any other. The new policy, which will have to meet the approval of the Council of Ministers, does not affect professions, such as medicine, where mutual recognition mechanisms are already agreed.

It is also accepted that where length of training is widely different, practical experience in the field concerned will also be taken into account.

Sweden interested in Eureka

BY DAVID BROWN IN STOCKHOLM

THE SWEDISH Government intends to send a delegation to the ministerial meeting in Paris later this month which is to discuss the French-inspired Eureka project for European high technology co-operation. However, it has ruled out participation in those aspects of the project which have potential military applications.

"Sweden will only participate in those projects which fall bounds of our neutrality policy," stressed Mr Carl Johan Aberg, Sweden's State Secretary at the Foreign Trade Ministry, following a meeting with a French government delegation. But, "with a great dependance on high technology industries in Sweden, we have to be interested in European alternatives," he said.

The French government is promoting accords between French and other groups in areas such as laser technology, communications, computers, robotics and biotechnology to meet growing competition from the U.S. and Japan.

Sweden is now taking up formal contacts with Swedish industry to promote co-operation with the project. However, "we are interested in knowing more about the number of issues, not least the financing," said Mr Aberg.

Detainee jailed in Warsaw

By Christopher Bobinski in Warsaw

A WARSAW COURT yesterday sent Mr Krzysztof Gos, a 30 year old trainee bus driver to prison for 18 months for duplicating a clandestine weekly news sheet for MRKS, one of the Solidarity networks in the Polish capital.

The case which lasted less than two days is one of the many which are now set to go through the Polish courts as they process the 179 political detainees officially admitted to be waiting trial. At present a mere 16 political prisoners have actually been sentenced, suggesting that last month's trial of three prominent Solidarity leaders in Gdansk, was a turning point in official policy towards the detainees.

Now it seems the authorities have decided to live with a fair number of political prisoners as a permanent part of the Polish landscape. Yesterday the Warsaw judge placed no restrictions on entry to the dark wood panelled courtroom, which was less than a quarter full. The scant attendance contrasted with the crowded courtrooms in political trials in the first months of martial law three years ago.

Mr Gos's wife heard Mr Andrzej Grabinski, a noted civil rights lawyer, ask for last year's political amnesty to be applied in the case, because Mr Gos had ceased his activities at that time.

Also he asserted Mr Gos's activity in MRKS had been fuelled by the knowledge that his earnings were too low to keep his wife and second child and it was normal that a man should rebel in such a situation, the lawyer added.

Mr Gos had admitted to printing the CDN weekly mainly for distribution among Warsaw steelworkers in a basement where he also stored paper and other equipment for the MRKS group.

FINANCIAL TIMES

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Bundesbank sure over growth

BY JOHN DAVIES IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, yesterday reaffirmed its target range for money supply growth this year. The decision reflects its confidence that the existing target range allows sufficient room for the economy to grow and will not act as an undue restraint on financial trends.

The central bank aims to see its measure of money supply grow by between 3 and 5 per cent between the fourth quarter of last year and the final quarter of this year. The money supply has been moving towards the upper ceiling of the target range, with a growth rate of about 4.5 per cent lately.

This year's target range, formulated by the Bundesbank last December, was set lower than last year's 4-6 per cent range, because it was felt this would signal the central bank's determination to keep down inflation while still allowing scope for for the expected moderate economic growth.

With unemployment over 2m in West Germany for the past two and a half years, there have been sporadic calls for an easing of both fiscal and monetary policy to stimulte the economy.

Particularly since the North Rhine Westphalia state election in mid-May, Chancellor Helmut Kohl has been under political pressure to take further steps to create jobs, although the cabinet in Bonn has just settled for a limited programme to aid the ailing building industry.

The Bundesbank has consistently argued for a firm monetary policy and a continuation of government efforts to consolidate budget finances.

Laura Raun looks at Nato's mounting pressure on The Hague to honour its missile commitment

Day of reckoning looms for Netherlands

FOR SIX years, the Dutch have artfully managed to dodge international pressure to site nuclear missiles on their soil under the aegis of Nato. Successive governments have trodden a fine line between the pervasive Dutch pacificism rooted in religion and history, and security obligations to Nato as well as European neighbours.

But it now finally looks as if Holland, the last European partner still to fulfil its 1979 Nato pledge, will accept the 48 cruise and Pershing 2 missiles assigned under the agreement. With only three months to go before the final parliamentary vote on deployment, pressure is accelerating sharply for the Dutch to honour their commitment to the Western alliance.

Last week, Mr George Bush, U.S. Vice-President, visited the Hague on an intensive lobby mission in which he sparred with recalcitrant MPs. Lord Carrington, the new Nato secretary-general, arrived a day later to exert more subtle encouragement on government leaders.

Mr Bush and Lord Carrington both came away from their meetings saying the same thing. The nuclear missiles will be stationed at Woensdrecht near the Belgian border barring a profound shift in Soviet defence policy. The Dutch Cabinet agreed in June 1984 to accept the controversial missiles if the Soviets had deployed more SS20 missiles by November 1, 1985 than were in place on June 1, 1984.

No Nato missiles would go to Brabant in the north if fewer than 378 Soviet missiles (the number as of June 1, 1984) were in place by the deadline. A smaller number would be taken if the Americans and Soviets reach an arms control agreement.

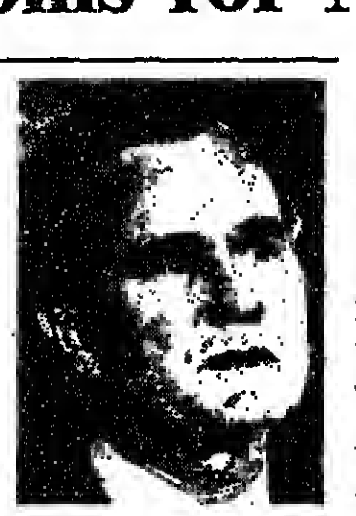
The Soviet Union has, by most accounts, continued to station its medium-range nuclear missiles on both sides of the Ural mountains. Mr Bush last week revealed that 423 of the SS20s – or 45 more than a year ago – were now on bases, with some of those sited since the missile freeze announced by Mr Mikhail Gorbachev last April.

Holland and Nato have both said they would rely on U.S. figures because nothing better is available. The Soviet Union, for its part, has not disputed the numbers despite pressure from the Dutch opposition Labour Party to do so.

The Soviets, however, are not sitting idly by. Herr Erich Honecker, East Germany's Communist Party leader, and perhaps the Soviet Union's closest ally, yesterday met Dutch Foreign Minister Hans van den Broek in East Berlin to urge that the Nato promise be scrapped. The East Germans argue that the Soviet missile freeze, which is to expire in November, makes it unnecessary for the Dutch to deploy.

The Soviet Union can also be expected to exploit the November summit meeting between Mr Gorbachev and President Ronald Reagan announced this week. The Dutch opposition Labour Party, which adamantly opposes the missiles, will presumably push for a delay in the November 1 parliamentary vote, although the governing Christian Democrat-Liberal coalition wants a timely decision because of the two previous postponements.

Mr Ruud Lubbers: general election looms



Mr George Bush: intensive lobby mission

Mr Gorbachev could even stop off in Holland at the time of his October 2-5 visit to France.

Remarks by Mr Bush and Lord Carrington last week dovetail closely with recent statements from The Hague. While stopping short of promising deployment, Mr Ruud Lubbers, Prime Minister, and Mr van den Broek have indicated that stationing must proceed to preserve Holland's somewhat dented credibility within the Western alliance.

Mr Lubbers, however, has also been forced to pander to public opinion in advance of the May 1986 general elections, when he would like to continue in office. With characteristic Dutch frankness, the Prime Minister brusquely reminded Mr Bush that the June 1984 decision also permits no U.S. missiles on Dutch soil if fewer than 378 Russian missiles are in place by November.

The opposition Socialists have promised to make the general elections a national referendum on the medium-range, triple-warhead missiles, hoping to drag out the treaty process far beyond the November deadline. Some Labour Party members have even suggested they would try to renegotiate a deployment treaty if they attained power in the next government.

The governing centre-right coalition, however, is counting on a gradual, almost resigned acceptance of the nuclear weapons. A kind of self-fulfilling prophecy seems to have taken place since the June 1984 cabinet decision.

The well-organised and vociferous Dutch peace movement failed to mobilise the kind of wide-scale, aggressive protests that many expected after the cabinet decision. Even Belgium's move to accept its 48 missiles last March failed to spark massive outrage in Holland.

While opinion polls are slightly contradictory, they do indicate some softening of anti-missile sentiment. Some believe the Dutch are just tired of fighting after twice having summoned the courage to say No to the missiles. Part of the reason to postpone the missiles in the first place was to show the world that while Holland was a small, often forgotten country it must still be taken seriously. That message having been conveyed, the Dutch can now take the missiles in good conscience.

Fearful that Dutch pacifists have sunk into a malaise, however, some 1,000 fervent activists from all over Europe opened a peace convention in Amsterdam on Wednesday in a bid to rally their flagging forces before the November deadline.

Leaders such as Mr Mient Jan Faber of the Dutch Inter-church Peace Council and Miss Petra Kelly of the West German Green party have been trying to breathe new life into the cause.

Warm, sunny weather fostered a relaxed, holiday atmosphere at the Free University much like that at last weekend's quiet peace demonstration in Milan during the EEC summit meeting.

Even the usually inspiring Mr Faber failed to stir as much applause as a speaker from Spain.

Mr Bush and Lord Carrington, both worried about peace activists, argued that the Soviets would not bargain seriously at the Geneva arms talks as long as dissident opinion within the Nato alliance could be exploited. The enfeebled peace movement, however, seems to offer the Soviets little of a wedge to drive through the Western alliance.

Ever since the Nato partners agreed in 1979 to station a total of 572 nuclear missiles in response to the SS20s, Holland has dallied in the hope of a U.S.-Soviet disarmament pact. The Dutch also argue that nuclear missiles sited in a country as densely populated as theirs is like putting the deadly weapons in someone's backyard.

Holland's long history as an advocate of peace and as a neutral country also are cited. But the day of reckoning seems to have come and deployment is the likely answer.

High-tech boost for jobs

By Our Amsterdam Correspondent

UNEMPLOYMENT in the Netherlands, which has fallen this year for the first time in recent memory, is declining faster in the south and east of the country than in the heavily industrialised west, according to the central bank's latest quarterly report.

The Nederlandsche Bank found that national joblessness fell below 16 per cent in May after having stuck stubbornly for much of last year at more than 17 per cent; nearly the highest level in the European Community. Unemployment has climbed steadily for the past decade because of sluggish economic growth, eroded competitiveness and an influx of women and young people into the labour pool.

Much of the decline in unemployment in the first months was attributed to a technicality in which people older than 57½ no longer must register upon losing a job. But the central bank also noted in its first-quarter report that 23,000 new jobs had also been created between January and May, particularly in sectors requiring highly skilled workers.

A great deal of the employment growth is taking place in the southern and eastern provinces where electronics, computer and biotechnology companies – many of them foreign – are establishing or expanding. In contrast, the western "smokestack" provinces saw joblessness actually edge up slightly.

Copenhagen keeps cool over balance of payments deficit

BY HILARY BARNES IN COPENHAGEN

THE DANISH Government has no current plans to tighten fiscal policy in response to a deterioration in the current balance of payments deficit, Mr Palle Simonsen, Finance Minister, said yesterday.

"We are not unconcerned about the deficit," he said, "but three months ago we carried through the tightest conceivable incomes policy, which will bring about the biggest improvement in export competitiveness for years.

"It will, however, take until 1986-87 for the results to show up. Meanwhile, we have to keep a cool head."

He repeated the Government's earlier pledges to eliminate the current account deficit by 1988.

Denmark has had a current account deficit every year since 1963 and built up a net foreign debt of DKr 218bn (£15.3bn), equal to 38 per cent of gross domestic product.

Mr Simonsen also said the Government is on target to eliminate the budget deficit by 1990. When the Government took over in 1982, the projected 1983 deficit was DKr 80bn, or 15 per cent of GDP. This year, the deficit will be cut to DKr 36bn and next year to DKr 26bn, Mr Simonsen said.

There will be no increase in government expenditure in real terms next year "and with inflation coming down there will be very little increase measured in current prices either," he said.

The trade deficit for the first five months of this year increased to DKr 7.4bn from DKr 3.8bn last year, with exports rising by only 5.7 per cent while imports increased by 10.4 per cent.

A labour conflict which disrupted production for three weeks in March and April has distorted the trade figures.

The current balance of payments deficit for the first four months exceeded DKr 10bn, according to Mr Erik Hoffmeyer, Governor of the central bank. This compares with a deficit for the whole of last year of DKr 16.8bn.

The Government hoped that the incomes policy, which aims to hold wage increases to 2 per cent a year in 1985 and 1986, would bring inflation down to 1½-2 per cent in 1986.

When it was pointed out that every Finance Minister for the past 20 years had said that the balance of payments problem was under control, Mr Simonsen replied that no government in that time had made such radical changes in economic policy as this one.

"It will all work out all right, I'm sure," he said.

Air India Jumbo wreckage found on sea-bed

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

HOPES OF eventually discovering what caused the crash of the Air India Jumbo jet off south-west Ireland on June 23, with the loss of 329 lives, have risen following location of sizable items of wreckage on the sea-bed.

Metallic objects, considered almost certainly parts of the tail unit of the Jumbo, have been detected by the Cable and Wireless Scarab (submerged craft for assisting the repair and burial of cables) operating from the French cable ship Leon Thevenin.

The wreckage was found in a search area about 10 miles by one mile, and some 7,000 ft down. TV pictures of it are being taken, and if they clearly identify the wreckage as parts of the Jumbo, efforts will be made to lift it to the surface.

The search for the flight data recorder continues. This is concentrated on detecting the "ping" signal transmitted once every second by a tiny beacon attached to the recorder.

So far, only intermittent signals have been intercepted, apparently some distance from the sunken wreckage now located.

While emphasis so far has been placed on the possibility of a bomb on board, aviation experts seeking the wreckage are careful not to rule out other possible causes, such as explosive decompression stemming from some structural fault in the aircraft.

So far, it is pointed out that from examination of the 131 bodies recovered, and the 1 per cent of the aircraft's structure brought to the shore to date, it is impossible to state categorically which of these theories is correct.

Portugal to ratify EEC treaty before election

BY DIANA SMITH IN LISBON

THE DECISION by President Antonio Ramalho Eanes to dissolve the Portuguese Parliament on July 12, paving the way for a snap general election three months later, has been timed to give MPs time to debate and ratify Portugal's treaty of accession to the European Community on July 9 and 10.

Other pressing legislative items — particularly, radical revision of the 40-year-old rent Act that froze urban rents at 1948 levels, cuts in commercial lending rates, and reduction in capital gains tax on interest and deposits—will also be despatched before dissolution.

Thereafter, Sr Mario Soares's coalition government, which is staying on until the election on a caretaker basis, will be empowered to deal with the business of the nation by decree.

Explaining his decision, Gen Eanes underlined the effort of Sr Soares's Socialists to solve the crisis engineered on June 4 by their Social Democrat coalition partners.

The President stressed that he was forced into the costly election option, and that he held the other parties fully responsible for a crisis provoked artificially at a time when Portugal needed stable government to prepare for EEC membership.

His failure to find a workable alternative to keeping the present coalition in office until the October election results are known is a Phyrrhic victory for Sr Soares. His party will gain credit from voters for behaving responsibly, but he will also have to delay his own presidential campaign by several months in order to prove his sense of duty as caretaker Premier too engrossed in the affairs of the nation to worry about the presidency.

WORLD TRADE NEWS

Japan to limit car sales to Canada

By Bernard Simon in Toronto

QUOTAS on Japanese car imports to Canada are to be replaced by an "understading" limiting sales of Japanese models to about 18 per cent of the Canadian market this year. Japanese car imports to Canada have risen sharply in recent months following expiry of the quota system.

Japanese and Canadian officials have agreed that Japanese car makers would "avoid disruption of the Canadian market on the understanding that their exports be allowed to grow in a manner consistent with the total growth of the Canadian market."

Quotas on Japanese car imports, first imposed in 1981, expired last March. A 21 per cent jump in imports during April and May raised fears in Canada that the Japanese were determined to raise their market share.

The recent surge, however, appears mainly to reflect steady growth in the overall market and the replenishment of dealer inventories, run down before the quota expired.

Sales of Japanese cars in the first five months of 1985, totalling 74,800 vehicles, accounted for 16 per cent of total Canadian car sales.

The Canadian Government yesterday noted the "low level" of Japanese motor investment in Canada and the preference among manufac turers to concentrate their North American production in the U.S.

Poles visit Malta to sell engines

A THREE-MAN Polish delegation lead by Mr Richard Strzelcki, Deputy Foreign Trade Minister, is in Malta to negotiate the details of an agreement covering the sale of marine engines and fittings to Malta drydocks and the purchase of Malta-made goods by Poland, reports Godfrey Irima from Malta.

The engines will be fitted to eight timber carriers being built by Malta's shipbuilding yard at Marsa for the Soviet Union at a cost of $140m (£108m). The deal forms part of a three-year $265m countertrade accord Malta and the Soviet Union signed in December last year.

Pechiney plans printed-circuit plant using Japanese technology

BY DAVID MARSH IN PARIS

PECHINEY, the French state-owned aluminium company, is to set up a FFr 280m (£23m) printed circuits plant using Japanese technology in Normandy. This marks one of the most important examples so far of Japanese involvement in the French electronics industry.

The plan is part of Pechiney's bid to convert its Trefimetaux copper laminates plant at Dives sur Mer, which is being closed next year. The company is to set up a new factory to make electrolytically-produced copper wafers — one of several of the company's restructuring measures.

The plan was announced by M Louis Mexandeau, the Posts and Telecommunications Minister, who has his political constituency in the region. Pechiney will be working under licence from a major Japanese company whose name has not been officially confirmed but is believed to be Mitsui.

Pechiney said last night that the deal was still in negotiation and could not confirm that Mitsui would be the partner.

The operation is planned to employ 100 people, compared with 930 jobs which will be lost when the Trefimetaux plant closes. The new plant is intended to start up by 1987.

The deal looks likely to confirm the growing trend of Japanese participation in important parts of the French electronics industry, where companies like Sony, Akai and Pioneer over the past few years have established French plants in consumer electronics.

Thomson and Matra, two of the leading French state controlled electronics groups, already have links with U.S. concerns in semi-conductor manufacturing. Thomson also has recently concluded a major chip agreement with Okai of Japan.

David Marsh on why Paris is looking to the U.S. in a bid to internationalise its telecoms business

France sends friendly signals across the Atlantic

COMPAGNIE Generale d'Electricite, the French state-owned electrical and engineering conglomerate which groups the llon's share of the country's civil telecommunications activities, is in negotiations with American Telephone and Telegraph (AT & T) which could give the U.S. giant a significant foothold in the French market.

The talks are aimed at producing a reciprocal commercial agreement which would powerfully assist the two companies' efforts to internationalise their telecommunications business.

By embarking on talks with AT & T, whose efforts to penetrate the European market have been widely resisted by the French Government, CGE could be starting a process which could compromise France's overall efforts to promote European electronics collaboration.

The negotiations with AT & T run parallel to efforts by the Direction Generale des Telecommunications (DGT), France's national telecommunications authority, to diversify suppliers of switching equipment.

The contacts show how France's telecommunications policy has become more pragmatic since President Francois Mitterrand in September 1982 denounced the link-up in digital exchanges between AT & T and Philips of the Netherlands as an example of how the EEC "could allow itself to be conquered by outside powers."

France is still giving political priority to the search for European links in its bid to strengthen CGE's telecommunications activities. The group has set itself the ambitious target of boosting its share of the world telecommunications market to 8 per cent from the present 5 per cent. It recognises the only way to achieve this is through pooling commercial and technological forces with other companies.

But a succession of setbacks for French initiatives to find European partners has driven both the DGT and CGE to cast their net wider in the search for foreign partners.

In particular, the collapse of long-running efforts last year to achieve a reciprocal switching equipment sales deal with Britain has pushed France into exploring all the international options.

Peberean — looking for a long-term U.S. partner

DGT particularly resented British Telecom's failure last October to put the French E.10 system on the short list of equipment being selected as an alternative to Britain's System X exchange. Instead, British Telecom opted for AT & T/Philips, L. M. Ericcson and Northern Telecom, companies bringing in technology from outside the EEC.

"We are doing all we can to push alliances among European companies," says one official at the French Telecommunications Ministry. "But if others find partners elsewhere, it is possible we could do the same."

In recent months DGT has been stepping up contacts with all the major world telecommunications groups, including ITT and NEC of Japan, in its search for outside supplies.

Any commercial link with AT & T would involve the U.S. company giving sales support to the efforts of the Alcatel-Thomson group — under full control of CGE since July 1 — to sell a modified form of its E.10S exchange in the U.S.

It could also be extended to include other areas like radio telephones. CGE is also on the point of securing a long-negotiated deal to link up with AT & T/Philips microwave systems business by taking control of Philips' French subsidiary TRT.

In return AT & T would effectively become the second supplier of switching equipment in France. One idea would be for CGCT, the former ITT telephone equipment subsidiary which was nationalised in 1982 and has since been in financial trouble, to manufacture the AT & T switching range in France.

Ever since the decision in September 1982 — hotly contested by the Telecommunications Ministry—to merge the CGE and Thomson telephones activities, the DGT has been stepping up its efforts to avoid full-scale reliance on a sole French supplier of switching equipment.

In addition a deal with AT & T would provide just the entry card CGE is seeking to expand its presence on the deregulated U.S. telecommunications market, now seen as vital for the group's future.

M Georges Pebereau, the CGE chairman, has been steadily building up the group's U.S. telecommunications presence in the past two years.

But he has failed so far to find a long-term partner capable of beefing up CGE's still sparse commercial network in the U.S.

Despite the commercial logic and M Pebereau's insistence this week that some form of U.S. deal (whether with AT & T or another company) will be agreed soon, it is clear that political factors will play a major role in the outcome.

One industry official sums it up by referring to the Government's efforts to boost Europe's electronics co-operation through the Eureka programme. "In the middle of all that, it would be difficult for the Government to accept the idea of having a U.S. telecommunications supplier."

But, unless France's European partners react with an unexpected initiative of their own in the face of the AT & T overtures, that could well be the direction in which France is heading.

Vienna-Moscow pact renewed

BY PATRICK BLUM IN VIENNA

AUSTRIA and the Soviet Union have agreed to renew until 1995 three major agreements between them covering trade, payments and credits, and scientific, technical and economic co-operation. According to Austrian and Soviet officials in Vienna the agreements will provide a firm basis for a further expansion of the booming trade and economic contact between the two countries.

Trade with the Soviet Union has grown sharply in recent years and it is now Austria's fourth largest trading partner. Austria in turn has become the Soviet Union's eighth largest trading partner among Western countries.

The agreements will be formally signed in Moscow next October during a meeting of the joint Soviet-Austrian commission, but their renewal was agreed this week in a course of a visit to Vienna of a Soviet delegation headed by Mr Aleksei Manschulo, the Soviet Deputy Foreign Trade Minister.

The Soviets are especially eager to demonstrate that their positive relations with Austria are an example of successful co-operation between countries of different social systems which can be emulated by others. A recent Soviet report praised the Austrians and argued that relations between the two countries showed that the politics of economic sanctions were "powerless."

Austrian imports from the Soviet Union grew by 32 per cent from Sch 14.85bn ($707m) in 1983 to Sch 19.62bn last year. Austrian exports to the Soviet Union rose by 31.5 per cent

Trinidad to ease protectionism

BY CANUTE JAMES IN KINGSTON

TRINIDAD and Tobago has agreed to make adjustments to its trade policy and ease protectionism following persistent criticism from its partners in the Caribbean Economic Community (Caricom).

The leaders of the 13-nation community, meeting here this week, have made marginal progress in resolving most of the long-standing issues which have bedevilled trade within the group.

Mr Bernard St John, Prime Minister of Barbados, and chairman of the summit, said Trinidad was to adjust import barriers on all but a few "sensitive" items which were not named.

The agreement indicated marginal progress in the efforts of the leaders to inject new life into the community. They are still to find a formula for reactivating a $100m (£77m) trade credit facility which reached its limit two years ago.

● The member governments have also decided to re-examine the controversial purchase of British aircraft by Leeward Islands Air Transport (Liat). The move follows criticisms from some regional governments.

Some community governments, including St. Vincent and Trinidad have refused to sign the guarantee for loans to Liat to buy four BAe 748 aircraft from British Aerospace. The aircraft have been delivered.

Caricom governments are shareholders in the airline and a meeting is expected to be held within the next three months.

Indonesia and U.S. compromise on textiles

By Kieran Cooke in Jakarta

The U.S. and Indonesia have agreed a temporary compromise on textile trading restrictions—an issue which had threatened to seriously sour relations between the two countries.

After week-long negotiations the U.S. increased the number of Indonesian textile categories subject to import quota restrictions from 17 to 31, while raising the ceiling on the actual amount of textiles it was willing to import.

It also agreed to allow a growth in each category of 6 per cent a year, with the provision that this could be raised to 7 per cent in some areas if shipments of garments in other categories do not reach their export ceilings.

In 1984 Indonesian textile exports to the U.S. were worth $234.5m (£180m)—48 per cent of Indonesia's total textile exports. A Bill before the U.S. Congress seeks to further limit the amount of textile imports, particularly from countries in north and south-east Asia.

Indonesia says that if passed, it would unfairly affect it as a relatively small exporter. It could also result in massive lay-offs in the Indonesian textile industry and provoke an outbreak of anti-U.S. feeling.

EEC talks on Turkish textiles

TWO DAYS of negotiations on quotas for Turkish textile exports to the European Community began in Izmir this week, reports David Barchard from Ankara.

A five man delegation from the European Commission met members of the association of Turkish ready wear and clothing exporters. Turkey and the community have been at loggerheads over ready-wear quotas since the summer of 1983, with Turkey claiming that the EEC is in breach of its obligations under a joint association agreement.

Community officials cite a "safeguards clause" in the agreement and point to the success of Turkish exporters in evading quantitative restrictions by selling their goods to the EEC through third countries.

OVERSEAS NEWS

Saudis stand alone as Opec meets to discuss prices

BY RICHARD JOHNS IN VIENNA

THE Organisation of Petroleum Exporting Countries meets today in a state of greater confusion than ever before with most members clearly opposed to any cuts in official prices in response to downward market pressures and the fall in spot rates.

Against this Saudi Arabia's position stated a month ago is that the official prices for heavier varieties should be lowered. It has given notice that it will not continue with its own strict observance of official selling rates, which has led to its output sinking to less than 2.5m barrels a day compared with the permissible maximum of 4.35m b/d under the collective ceiling of 16m b/d agreed eight months ago. Currently Opec's combined output is believed to be running at little more than 1.4m.

Despite the fall in output to the lowest level recorded by the present membership as a whole for 20 years, rates on the spot market which account for the prices of about two-thirds of transactions in crude and products world-wide have continued to decline.

Among the chief delegates here for the meeting those of Indonesia, the United Arab Emirates, Kuwait and Nigeria have said publicly that they are opposed to any cuts. That is also understood to be the position of Venezuela which together with Kuwait, another producer of heavy crude, was thought to be in favour of a readjustment in price differentials between light and heavy crudes at a time when the disparity is now in favour of the latter.

Sheikh Ali Khalifa al Sabah, Kuwaiti Minister of Oil and Industry, and Sen Arturo Hernadez Gristanti, Venezuelan Minister of Energy, visited Algeria and Libya at the weekend in an attempt to find common ground. They were evidently convinced by the clear determination of the two North African producers which are supported by Iran, not to countenance any price reductions—even if all three are offering substantial discounts off official selling rates in one form or another.

Everything, as usual, depends on the inscrutible Saudi Arabia whose Minister of Oil Sheikh Ahmed Zaki Yamani, was expected to be the last of the leading protagonists to arrive. Beyond demanding lower prices for heavy crude and wider differentials, the Kingdom has also made a veiled threat that it might go its own way and increase output and its income with potentially disastrous results for badly indebted members with negligible financial reserves and non-Opec producers of high cost oil.

At this point, the Saudi tactics may be to frighten the rest of Opec into stricter observance of official selling rates and quotas. In the longer term it is clearly determined not to let Opec become a marginal source of energy for the world.

John Elliott revisits the scene of the Union Carbide disaster which left more than 2,000 dead

Bhopal waits in quiet anger for the promised new life

PEOPLE ARE still dying in the central Indian city of Bhopal from the after effects of the Union Carbide gas leak last December 3 that claimed more than 2,000 lives in the world's worst industrial disaster.

Seven months after Bhopal woke up one morning to find its streets strewn with dead bodies, scientists are still not sure how the methyl isocyanate (MIC) leaked from Union Carbide's pesticides plant, or why it was so lethal.

Doctors do not know what is causing between 20,000 and 40,000 people in Bhopal to suffer from breathlessness, lethargy, loss of muscle power, and dry eyes. They have no cures.

"I am sure cyanide has altered something in the blood system so it has had a toxic effect that is still affecting people," says Dr Heresh Chandra, a distinguished pathologist working in Bhopal's main Hamidia hospital. He was the first to voice the now generally-accepted suspicion, denied by Union Carbide, that cyanide was responsible for the initial deaths.

Superficially this Moslem city, built around two large lakes and dominated by a picturesque white and pink mosque, is back to the normal, colourful bustle and chaos of provincial India. Bullock carts, motorised rickshaws, battered cars and vans throng the streets lined with bazaar stalls and light engineering workshops.

In the area near the factory which was filled with the leaking gas, the people are quiet, sullen and suspicious: they are tired of visiting relief workers, lawyers and journalists who bring hope of a new life that has yet to emerge.

No major compensation has been paid and reports from the New York negotiations between India and Union Carbide of figures ranging from $100m to $500m (£384.6m) are helping to foment discontent. More than 20,000 people may not be able to resume their jobs as shopkeepers, labourers, bidi cigarette rollers and light engineering workers because of their disabilities, according to civil servants.

There is no blindness, or serious corneal and cataract problems, but a UK-funded Royal Commonwealth Society for the Blind clinic has yet to establish why an estimated 20,000 people are showing the symptoms of infection-prone dry tearless eyes when the usual clinical evidence of such a problem is absent.

Despite some reports, Dr Ishwar Dass, Health Secretary and Relief Commissioner of Madhya Pradesh State, insists there have been no malformed births; but pregnancies which started six to nine months ago just before the leak are now being monitored.

Dr Dass says there are 200 long-term cases of neurotic depression and neurosis, but no evidence of more serious psychoses.

Severe damage to lung tissues and resultant pulmonary problems, possibly caused by cyanide, are the most worrying complaints among the 200,000 people who have attended clinics.

"Our surveys indicate that we will have to do long-term follow up on 10,000 pulmonary cases. Where there is complete obliteration of lung cavities, they may need follow-up support for their whole lifetimes," says Dr Dass.

"The pulmonary damage seems irreversible and progressive: with treatment we can stop further deterioration but we can't reverse it," says Dr M. P. Mishra, head of the department of medicine at Hamidia hospital and vice dean of its medical school.

Two autopsies last Thursday showed the victims suffered from pulmonary problems, and one baby died of respiratory failure. Dr Chandra says many relatives refuse to permit autopsies, but he has been able to conduct 25 in the past five months which have shown gas complications with injury to the nervous system, brain, lungs, liver, kidneys; all caused by a mixture of gases, particularly cyanide.

"I don't concentrate on the methyl isocyanate itself because it has not killed anyone exposed to it in the past, according to Union Carbide," says Dr Chandra.

"The gas broke down into chloroform, phosgene, carbon tetrachloride, hydrogen and nitrogen. The hydrogen cyanide did its killing job according to the text books within a few hours of the leak. But there were aerosol formations in the air and cyanogen chloride was formed with a combination of chlorine and cyanide which is much more toxic to the lungs," he said.

From April, after much wrangling and delays, a drug called sodium thiosulphate was administered to those with acute breathlessness and fatigue because it is known medically as an antidote to cyanide. Since then 20,000 injections have been given and patients say they get relief, often only temporary, from their tiredness, breathlessness, chest burning and dry eyes. But doctors say it does not help those with seriously damaged lung tissue.

Frustration and anger in Bhopal is increasing as people blame the state and central Governments for moving too slowly on compensation and relief work. There has still been no final assessment of the number of dead and injured, nor provision of alternative employment for those unable to resume their previous work.

A police report has yet to be officially published and little progress has been made by a one-member judicial commission which might expose the responsibilities and failings of the central and state Governments as well as Union Carbide.

Protest movements run by relief workers have clashed with police and there were 50 arrests and 30 injuries in a demonstration last week: a situation which need not cause too much concern in a country where political agitation is a way of life. But it could spark more serious unrest.

Fresh cause for agitation is expected on July 10 when, subject to court appeals, Union Carbide makes its 630 Bhopal workers redundant and closes the pesticides factory because of State Government refusal to let it reopen to continue production.

Three months notice of closure was given in April and the company has already started selling £3.3m-worth of chemicals, other stocks and movable fittings. What will happen to the factory, built by Union Carbide on land leased from the Government, is not known. The workers do not have guaranteed jobs to go to, although they will probably be absorbed into public electricity and bus operations.

The situation in Bhopal is precarious enough for the state Government, which has spent more than £21m on relief, to feel politically unable to stop or reduce allocations of free wheat and rice costing £1.3m a month. It has handed this out since the beginning of the year not just to the 200,000 people in the worst-affected area but to 600,000, threequarters of the population.

Mr Asoke Sen, Indian Minister of Law and Justice, last night described an offer from Union Carbide of compensation as "totally unrealistic," John Elliott reports from New Delhi. He said the company had offered $150m (£114.5m) spread over 30 years.

He denied reports in the U.S. that India wanted $5bn but said Union Carbide had to "show some flexibility" before it would be worth resuming the negotiations that he had attended last month in New York.

Compensation was needed by about 17,000 people with grievous injuries and by relatives of about 2,000 people who had died.

Opec crude oil output falls to14.5m b/d

By Dominic Lawson

CRUDE oil production by the Organisation of Petroleum Exporting Countries dropped to 14.5m barrels a day in June, according to the International Energy Agency (IEA) oil market report.

This is 1.5m b/d below Opec's official production ceiling, and illustrates the scale of the problems that Opec ministers confront as they begin a crucial meeting in Vienna later today.

The IEA too has been forced once again to downgrade its assessment of world demand for oil.

Its preliminary reports suggest that in the second quarter, oil consumption in countries of the Organisation for Economic Co-operation and Development had fallen by about 3 per cent on the same period last year.

The reports show virtually no change in the level of stocks in the OECD in the second quarter.

Dr Mana Saeed al-Otaiba, Oil Minister of the United Arab Emirates, called yesterday for "a collective sacrifice" from Opec member-states.

However, a report released today by stockbrokers Simon & Coates argues that further Opec output restrictions will reduce demand for oil and that small price cuts and slightly higher volumes could raise Opec revenues and boost demand in the longer term.

Mexico set to cut prices next week

By David Gardner in Mexico City

MEXICO, the world's fourth largest oil producer, looks certain to lower its crude prices next week, no matter what today's Opec meeting decides. This would follow a fall in exports in June to the lowest monthly level since March 1982, shortly before the major financial crisis of that year.

In June, average sales were 1m barrels a day against a targetted 1.5m b/d, after a May average of 1.3m b/d and a January to April outturn of 1.476m b/d. Mexico cut the price of its light Isthmus crude from $29 per barrel to $27.75 in February—25 cents more than the cut in Saudi light—and its heavy Maya crude from $25.50 to $24 a barrel last month.

But with pressure continuing on both types of crude, Mexico has notified its term customers that the price of Isthmus will be set after the Opec meeting and made retroactive to June 1. In a further bid to retain customers, it also plans a more flexible sales policy.

The February Isthmus cut was broadly in line with Opec, bearing in mind that it is slightly heavier than Saudi light, but the June Maya reduction was a unilateral decision to protect Mexico's market share.

Hawke drops key tax measure

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S Labor Government yesterday abandoned the centrepiece of its planned tax reform package—a broad-based consumption tax—in what will be seen as a setback for Prime Minister Bob Hawke and Mr Paul Keating, the Treasurer (finance minister).

Labor still plans to press ahead with tax reform, but its final package will be a weakened version of the one so vigorously championed by Mr Keating.

Instead of introducing a 12.5 per cent consumption tax similar to VAT, Labor will now strengthen the existing wholesale tax, extending it to services, to help finance reduced income tax rates.

The Government will also press ahead with a modest capital gains tax, a war on tax avoidance, and scrutiny of tax shelters, such as gold mining.

The main opponent of the consumption tax was the Australian Council of Trade Unions, which was suspicious of its likely impact on the lower-paid. Despite assurances by the Prime Minister that lower income earners and pensioners would be fully compensated for higher prices in the shops, the union argument prevailed.

The decision not to proceed with a consumption tax came at the end of a four-day national "tax summit" in Canberra. Despite some disappointment, Mr Keating insisted that the revised package would still amount to the most radical reform of the tax system yet seen in Australia.

Discussion of the new package will start on Monday, paving the way for some measures to be introduced in next month's budget.

Even without an adjusted wholesale tax, the Treasury estimates that a tax on fringe benefits, plus a modest capital gains tax and moves to abolish special business concessions, would yield about A$700m (£350m) in their first full year, rising to about A$3bn after four or five years.

Zimbabwe poll turnout tops 90%

BY MICHAEL HOLMAN IN HARARE

VOTING in Zimbabwe's four-day general election ended last night with up to 3m voters estimated to have turned out in a poll which will have exceeded 90 per cent.

Despite bitter inter-party rivalries of the past, the country's first general election since independence in 1980 took place without any major violent incidents.

The ruling Zanu Party of Mr Robert Mugabe, the Prime Minister, is widely expected to win an overwhelming majority of the 79 black seats at stake, with Mr Joshua Nkomo's Zapu taking the balance.

Few observers expect the UANC led by Bishop Abel Muzorewa, the former Prime Minister, to hold the three seats the party occupied in the last parliament.

First results are expected today but the final outcome is unlikely to be known before Sunday.

Meanwhile, the impact of Mr Mugabe's weekend attack on "racists" who last week gave Mr Ian Smith's Conservative Alliance 15 of the 20 entrenched white seats, continues to reverberate around the minority community.

A succession of business leaders, community figures and defeated parliamentary candidates have in effect been apologising for the outcome and maintaining that many whites in fact support the Government.

Three die in South Africa mine riot

By Anthony Robinson in Johannesburg

BLACK miners at the Western Platinum Mine near Rustenburg in the western Transvaal went back to work yesterday after three men were killed and several injured in a riot sparked off by dissatisfaction at the wage increases announced by the company on Tuesday. Western Platinum is 51 per cent owned by Lonrho of the UK with a minority stake held by Mobile Oil of the U.S.

A company spokesman said that the bulk of the 4,500 strong labour force are not union members and accepted the wage rise of an average 19 per cent but a small group of workers later went through the two mine compounds calling for workers to demand a bigger increase.

Meanwhile, the National Union of Miners (NUM) is preparing to ballot its 110,000 members on Monday to gauge the strength of support for strike action in support of its demand for a 22 per cent across the board increase. According to the Chamber of Mines, which negotiates on behalf of the mining companies, the total cost of the demands put forward by the NUM amount to 32 per cent for gold miners and 41 per cent for colliery workers.

Israel maintains control of southern Lebanon

BY DAVID LENNON IN MANSOURA, SOUTHERN LEBANON

ISRAEL IS still very much in control of southern Lebanon, a month after it announced the completion of its military withdrawal at the end of three years of occupation.

This continued Israeli presence and control over the area is bound to produce further opposition and resistance, the most recent expression of which was the TWA hostage crisis.

Israel has thinned out its forces on the ground, but Israeli soldiers and military advisers are still very much in evidence. "We are in control," an Israeli lieutenant-colonel stated at an artillery battery at Mansoura, north of the Litani River.

The battery of 155 mm and 130 mm guns is operated by the Israeli-backed local militia known as the South Lebanon Army (SLA). Though officially described as an adviser, the Israeli officer admitted: "The SLA fires only if we know about it. We want to be in control of every unit."

This Israeli presence is felt even more strongly at the headquarters of the SLA in Marjayoun, the largest town inside the Israeli-created security zone in southern Lebanon.

The main gates to the barracks are manned by Israeli soldiers and inside the barracks square there are more Israeli than SLA soldiers in evidence.

Gen Antoine Lahad, commander of the SLA, shrugs his shoulders when this is pointed out. He claims that the bulk of the Israeli advisers are stationed at his headquarters, formerly the Israeli army headquarters, and that it is natural for Israel to want to protect its own men.

The general also admitted for the first time that there is an Israeli adviser at the prison, which the SLA operates at nearby Al-Khayyam. This is natural, he says, "because the security of southern Lebanon and of northern Israel has something in common."

Even before the invasion of 1982, the Israelis assisted the local population. This is continuing with a special Israeli civil administration, run by the army, spending $2m (£1.53m) a year to help build roads, maintain a hospital and other medical services, and render aid to Christian refugees from the north.

The Israelis have also issued identity cards to the 200,000 Lebanese living within the security zone. Most of this population is Shi'ite, but the bulk of the estimated 2,000 members of the SLA, which is funded, trained and armed by Israel, are Christian.

The SLA has clashed frequently with the UN peace-keeping forces in southern Lebanon, and further conflict appears inevitable.

AMERICAN NEWS

U.S. company to provide insurance for product liability

BY TERRY DODSWORTH IN NEW YORK

A GROWING shortage of insurance for product liability risks has forced a group of U.S. manufacturing companies to form their own insurance company to write policies for themselves and other exposed businesses.

The move follows the rapid growth in damages awards against companies involved in product liability cases. Because of the high costs of litigation and payments to claimants, most traditional underwriters in this field have dropped out of the market, according to Mr Robert Clements, president of Marsh & McLennan, the leading U.S. insurance broker.

Mr Clements, who has co-ordinated the efforts of the 15 insurance companies forming the new policy-writing group, says that the insurance industry's capacity to write excess liability policies has dropped sharply since the turn of the year.

The drop in coverage is usually ascribed to the explosion in litigation on product liability in the U.S. over the last decade. In several cases, such as claims involving the asbestos industry, or the manufacturers of the Agent Orange chemical defoliant used in the U.S., producers and the insurance industry have been faced with demands which have imposed enormous fiancial strains on the system.

The Manville Asbestos Group, for example, was forced to go into bankruptcy under the Chapter 11 reorganisation procedure to try and work out a viable payments plan to claimants. The claims on the insurance sector are one reason behind its lamentable operating performance over the last few years.

Mr Clements says the new company will be developing a different form of policy to the traditional one.

IMF move on Colombia

THE International Monetary Fund will require assurances from Colombia's bank creditors that they will advance a $1bn (£769m) loan to the country before endorsing its economic adjustment programme and agreeing to monitor it, Alexander Nicoll writes.

This was made clear yesterday as Sr Roberto Junguilo-Bonnet, the Finance Minister, and other Colombian officials as well as representatives of leading lenders, stopped in London on their world tour to canvass support for the $1bn loan.

The IMF has said that Colombia's economic programme would entitle it to an IMF loan if the country wished. It will agree to monitor the programme provided the bank loan is agreed and has asked for assurances by July 24.

Foreign investment boost for Canadian oil

By Bernard Simon in Toronto

FOREIGN INVESTMENT in Canada's oil and gas industry is expected to rise sharply this year, according to a survey by Statistics Canada, a government agency. Foreign-owned manufacturers also plan higher capital outlays in 1985 than Canadian industry, the survey concluded.

Attracted by a series of tax concessions and the gradual decontrol of domestic and export energy markets, foreign oil and gas producers expect to raise their investment in Canada by 44 per cent this year to C$4.1bn (£2.33bn). Canadian companies, many of which remain burdened by heavy debt loads following a string of acquisitions in the early 1980s, plan to increase their spending by only 4 per cent to C$4.5bn. The figures include a small contribution by mining companies.

Three of Canada's five largest integrated oil companies are U.S.-controlled. A fourth is 72 per cent owned by Royal Dutch Shell. Imperial Oil, Exxon's local subsidiary, plans to invest about C$1bn this year, with a large chunk earmarked for expansion of oilsands facilities.

According to the Statistics Canada survey, foreign manufacturers plan to increase their investments by 29 per cent this year, compared to a 23 per cent increase by Canadian companies. Outlays by non-U.S. companies are expected to jump by 37 per cent.

David Gardner examines the political contests in the states of Sonora and Nuevo Leon

Mexico's opposition evens the poll odds

THE 1910 Mexican revolution blew up initially in the north, and in particular in Sonora, which in the 1920s gave the victorious revolutionaries their two Bonaparte figures, Gen Alvaro Obregon and Gen Plutarco Elias Calles, the founder of today's Institutional Revolutionary Party (PRI), which has totally dominated Mexico since 1929.

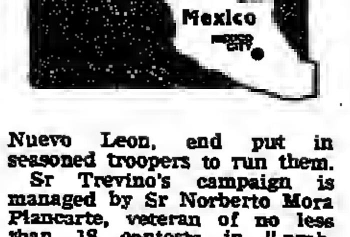
So it is ironic that the PRI now sees the threat of counter-revolution in Sonora through an unprecedented challenge from the right-wing National Action Party (PAN) in Sunday's mid-term elections for state Governor, Congress and town halls.

The putative leader of this reaction against 56 years of PRI hegemony is Sr Adalberto Rosas, a popular and populist Sonora landowner. He has put together a vigorous mass movement based essentially on strong regional sentiment, hostility to bureaucracy and corruption, and deep resentment at the PRI's persistent denial of democratic expression through ballot-rigging.

This pattern is repeated with variations through the prosperous northern border states, where the PAN won a string of major town halls in the aftermath of Mexico's financial collapse in 1982. On Sunday, the PAN has an even chance of winning the Governorships of Sonora and Nuevo Leon, in the north-east, out of seven state Governor contests.

The PRI has never conceded a state government, winning, on two well-known occasions, by fraud (PAN leaders claim a third instance of ballot-rigging in Sonora in 1967. "But we didn't have the resources to prove it," says Sr Norberto Corella, Sr Rosas's campaign manager).

Sonora, on the north-western border with the U.S., and Nuevo Leon, with its capital Monterrey, the powerhouse of Mexico's private sector, are regarded as strategic states by the PRI/Government, which has thrown all manner of money and resources at them in a bid to stop the PAN.



Despite this, in Sonora and Nuevo Leon, President Miguel de la Madrid has personally imposed two colourless bureaucrats from the centre as PRI standard-bearers, while in the other Governorship contests, four in central Mexico and one in the south, local candidates with a broad popular following have been allowed to emerge.

Sr Rodolfo Felix Valdes was born in Sonora, but he has not lived there for more than 40 years and has even lost the region's characteristic accent. In Nuevo Leon, Sr Jorge Trevino, a former classmate of the President, has lived and worked in Monterrey but made his career in the federal bureaucracy.

Senior PRI members explain that this is the inevitable result of the traditional tension in Mexico between a genuinely federal system based on the U.S. model and a highly-centralised prefecture system reminiscent of France. Nonetheless, the two choices have enhanced the PAN's chances, forcing the PRI to mount opulent campaigns costing an estimated $25m (£19.2m) in Sonora and around $10m in Nuevo Leon, and put in seasoned troopers to run them.

Sr Trevino's campaign is managed by Sr Norberto Mora Plancarte, veteran of no less than 18 contests in "problematic" states. Sr Valdes's manager is Sr Manlio Fabio Beltrones, an aide to the current PRI President and a former private secretary to Fernando Gutierrez Barrios, who was head of Mexico's political police force for more than 20 years (and the man who had the distinction of arresting Fidel Castro, Cuba's leader, in the 1950s).

Then there is the flow of state resources to the two states: both Sonora and Nuevo Leon are rich, but the strength of the PAN challenge is making them richer.

Sonora has four fifth's of Mexico's copper, unusually well-exploited fisheries resources, and the two richest agricultural areas in the country, in the Yaqui and Mayo valleys.

Its governments have sought out foreign investment, and been rewarded with a plethora of in-bond assembly plants on the frontier, and most recently with Ford's $500m assembly plant near Hermosillo.

Capitalist farming was pioneered here and, particularly after government land expropriations in 1976, has managed on the whole to co-exist with often equally mechanised collective farming.

Monterrey houses Mexico's major conglomerates (Alfa, Visa, Cydsa, and Vitro); a central plaza, more than twice as big as Moscow's Red Square, was completed at enormous cost last December; and after the state of Mexico, Monterrey has the largest state budget in the country.

But with the PAN upsurge in the two states, and a marked cooling of business enthusiasm for the PRI, additional state resources have been found. In Monterrey on May 31, President de la Madrid inaugurated pesos 47bn (£147m) of completed public works. The private sector there has been largely kept afloat by a state foreign exchange risk scheme, tax exemptions, and soft treatment from the banks nationalised in 1982 (some of them owned by the big Monterrey groups).

In Sonora on June 1, the Agrarian Reform Minister announced that a further half a million hectares of land would be distributed to local peasants, having previously said there was no land left in Mexico to redistribute.

Most of Sonora is scrubland and desert, and the complement to this measure came three weeks ago when Sr Valdes was miraculously able to announce the go-ahead for a major irrigation scheme which has lain dormant for cost reasons for 15 years. It involves diverting water from Sinaloa northwards, and the one dam envisaged has been costed privately at around pesos 120bn.

There may well be a tactical consideration in the Nuevo Leon private sector's discreet encouragement of the PAN: as long as they do not actually win, the state coffers will stay open. Sr Fernando Canales, the PAN candidate and heir to one of Monterrey's great industrial fortunes, says the private sector sided with the PRI once his campaign took off, though he still expects to win.

Sonora is a different story. Sr Rosas, a former mayor of Ciudad Obregon in the south of the state, has built up a powerful coalition among the middle and lower middle classes and part of the peasantry. Personable and passionate with an easy manner, Sr Rosas has centred his campaign on the appeal for democracy.

Sr Rosas believes that in a clean vote he would win 4 to 1, but that the fix is already in: his manager Sr Corella exhibits two electoral rolls from pro-PRI districts where voters names occur several times.

"We have been told we're playing in the major league," says Sr Rosas, "and that (the PRI) is not going to cede power." He describes the local PRI leadership as "assassins of votes" and pro-PRI journalists as "gunmen who use the pen."

Widespread expectations of violence, particularly following serious election riots in nearby Coahuila at New Year, appear to be contradicted by the peaceful campaign's close, underpinned by a discreet but comprehensive security presence.

TV sales rise 8% but deliveries to trade fall

BY JASON CRISP

SALES of colour televisions in the UK rose nearly 8 per cent in the first quarter of this year compared with the same period in 1984. Manufacturers, however, saw a fall in business as retailers tried to reduce their very high levels of stocks.

The improvement in sales was unexpected as it follows two record years for colour TV sales. But the latest figures from the British Radio and Electronic Equipment Manufacturers' Association (Brema) show total deliveries to the trade fell 17 per cent in the first quarter.

Stocks are still very high, with retailers holding about four months' supply and manufacturers about two months', which is roughly double the ideal level. Higher interest rates have encouraged retailers to reduce stocks and their promotions have helped sales.

The fall in deliveries shows the pressures on companies such as Ferguson , the troubled subsidiary of Thorn EMI, which is the only remaining British company producing high volumes of colour TVs. Imports, however, have fallen by almost 4 percentage points to 39 per cent of the total in the first quarter.

Imports had been rising sharply because the British market has been moving rapidly towards small colour TVs, which until recently were largely made overseas. Ferguson and a number of the Japanese companies that make TVs in Britain have now started making small sets in the country, reflecting the change in demand. In the three months, deliveries of UK-made small TVs rose 26 per cent.

The Brema figures show that the trend towards small TVs is continuing and they now account for almost 48 per cent of deliveries to the trade. Demand for small sets appears to come from people buying second TVs for the children, the bedroom or for caravan or cottage and for use with videorecorders or home computers.

Sales of video recorders in the first three months this year have been about the same as last year, which was considerably lower than two previous boom years. Deliveries to the trade actually rose during the quarter, reflecting the much lower stock levels.

Compact disc players are showing signs of taking off in sales, 2½ years after they were first launched in the UK. Some 16,000 were delivered to the trade in the quarter compared with 33,000 for all of last year. The expectation is for sales of about 75,000 during the year, followed by substantial growth next year.

● Importers have further increased their stake in the fastest growing sectors of the British domestic appliance market, with shipments of microwave ovens, built-in cookers and dishwashers showing particularly strong gains, Christopher Parkes writes.

Industry figures published yesterday show that total deliveries of microwave ovens rose 20 per cent in the first four months of this year to 457,000. The rise indicates a sharp increase in imports competing with the output from the UK's developing manufacturing industry.

Falklands tourist trips planned

BY HUGH O'SHAUGHNESSY

THE FALKLAND Islands Development Corporation (FIDC), which manages some £8m of public funds, is to move into tourist and property development.

It is expected shortly to establish a tourist development company with a capital of £175,000 to build seven "mini-hotels", each with 10 beds, on the South Atlantic islands to cater to the specialist tourist trade of ornithologists and other nature lovers.

Mr Simon Armstrong, the FIDC general manager, said in London yesterday it was hoped that about 1,000 tourists a year would be visiting the islands within three years, contributing £500,000 to the economy.

The first "mini-hotel", which like subsequent ones will probably be managed and staffed by expatriates, should be ready on Sealion Island for the Falklands summer starting in November next year.

Economic studies are being undertaken on the feasibility of an air link between the new airport in the Falklands and Chile.

An announcement is expected shortly about reduced air fares for groups flying from London to Port Stanley, the main community in the Falklands. The present return fare is £2,000, with concessional fares for certain categories of traveller. It is hoped to offer inclusive tours from London at a cost of about £2,000 for 14 days.

The FIDC is also to set up a property development company, with a capital of £750,000, to build houses, flats and a shopping arcade.

The corporation is likely to commission a second vessel to explore the inshore fishing possibilities for crab.

WORLD'S LARGEST SINGLE SPAN SUSPENSION CARRIES 'UNMANAGEABLE' BURDEN

Showpiece bridge sagging with debt

BY NICK GARNETT

THE COST of financing the Humber Bridge, a civil engineering showpiece when it opened four years ago, is rising so alarmingly that local planners and politicians have appealed to the Government for help over what they describe as an "unmanageable" debt burden.

One official estimate is that if the Humber Bridge Board decided to levy an extra rate (tax) upon the city of Hull this year to cover the cost of financing the bridge it would double the city council's existing rate levy.

The controversial bridge – at 1,410 metres the largest single-span suspension in the world – was built to connect north and south Humberside on the east coast of England. When construction started in 1972 it had an estimated billed cost of £24.5m.

The final construction cost was £97m when the bridge was eventually opened two years late in 1981 – and by then the total "bill," including debt charges, stood at £151m.

The cost has risen steadily to £236m this year and will leap to £440m by 1994 on present inflation and traffic revenue trends.

Total income from tolls last year was £4.8m, which after maintenance and administration costs of £1.1m left just £3.7m available, less than one seventh of the year's £27m interest charge bill excluding loan repayments.

The new figures were presented to members of the House of Commons Transport Committee who are studying Britain's estuarial crossings and who visited the bridge this week.

Mr Nicholas Ridley, Transport Secretary, told the committee on Wednesday that he favoured the possible privatisation of existing river crossings.

Mr Ridley's department is understood to have been unsympathetic so far to the suggestion by Humberside's local authorities that it should write off all or part of the debt or provide some other form of financial assistance.

Humber Bridge: Bill of £440m expected by 1994

The bridge board, more than half of whose members are Hull city councillors, was given until 1994 before any of the loans need to be paid back. It has the power, however, to levy a precept on Hull City Council and two other districts after that date or any date specified by the Government if tolls are not adequate to meet loan charges. The board is meeting in the autumn to examine its options.

Any levy on the two districts, however, is limited to 1.7p in the pound so the burden would fall on Hull, the port about four miles from the bridge on the northern edge of the Humber river.

Mr Michael DesForges, the city's treasurer, said yesterday that it was unclear whether an extra levy from the bridge board could be liable to penalties under the Government's policy of curbing high-spending local authorities.

The bridge was first promised by the Labour Minister Mrs Barbara Castle, in a 1966 parliamentary by-election, but expenditure was later endorsed in 1971 by a Conservative Government, a decision supported by some MPs who are now ministers.

The two principal financial pressures have resulted from the higher-than-expected construction cost and the loss of two years' revenue, and from a much lower traffic volume than projected in earlier estimates.

A feasibility study in 1969 by the Department of Economic Affairs based on expected population and economic growth which never materialised projected a yearly volume of 11m vehicles a year on the bridge by 1986 and 22m by 2001. The bridge carried just 3m vehicles last year, a rise of almost 1m on its first year's operation.

Present traffic usage broadly accords with figures predicted in 1977 by Halcrow, Fox and Associates, the bridge board's consultants.

Present charges on the bridge are much higher than on most similar crossings, although they have not changed since 1981. The tolls vary from £1 for a car in one direction up to a maximum of £7.50 for the heaviest truck. That compares, for example, with 50p for a car and £1 for a truck on the Severn Bridge, which spans the river Avon in the west of England.

Of the total of 3m journeys by vehicle across the bridge in 1984-85, 2m were made by private cars and 300,000 by heavy goods vehicles.

The worsening financial position of the bridge will rekindle arguments for the bridge's justification. Its critics said it would be grossly under-used, partly because the south bank of the Humber is largely agricultural.

Local politicians and planners say the main fault is that the bridge was not built decades earlier

They also argue that it has had some direct economic benefit by helping to attract some companies; raising passenger throughput at the south bank's Kirmington airport from 47,000 in 1981 to 119,000 last year; and encouraging retailers such as Sainsbury, the supermarket group, to expand in the area.

'Alarming slump' at specialist food shops

By David Churchill, Consumer Affairs Correspondent

A BLEAK outlook for specialist UK food retailers such as butchers, greengrocers and fishmongers is forecast today in a new report from tha Euromonitor market research company.

The report says that such specialist retailers have suffered an "alarming slump" in trade during the early 1980s and that this trend will continue unabated until the end of this decade. Only a small number of new specialist food retailers, such as freezer centres and delicatessens, are "emerging in the wake of this decline," the report adds.

According to the report, bakers have suffered the biggest drop in market share since 1980, followed by butchers, and small food shops in general.

Euromonitor now estimates that there are at present some 8,100 dairies, 20,000 butchers, 3,740 fishmongers and poulterers, 16,300 greengrocers and 8,940 bakers. The combined turnover of these food specialists is just under £8.4bn, representing slightly over a fifth of all sales through food retailers.

Among the newly-emerging food specialists yet to be classified separately in official statistics are an estimated 1,525 freezer food outlets, 1,200 health-food shops, and 3,700 delicatessens.

Euromonitor predicts that specialist food retailers will come under increasing pressure from the major supermarket chains which have increased their total market share from 58 per cent in 1980 to 65 per cent last year. "Specialist food retailers have found their traditional styles of trading increasingly inappropriate to the shopping needs of the 1980s," says the report.

Butchers and bakers have particularly suffered from the growth of the large supermarket chains which have expanded in these areas. "Those specialists trading in fresh produce have tended to suffer least at the hands of the major grocery chains, with both fishmongers and greengrocers faring best," adds Euromonitor.

The report predicts that tougher trading in the grocery sector in the rest of the 1980s will mean that "the multiples' predatory instinct is, if anything, likely to be sharpened and they will turn on all the traditional specialists."

Food specialists in the UK, published by Euromonitor, 87-88, Turnmill Street, London, EC1, price £180.

Mies tower in City 'will never be built'

By Colin Amery

MR PETER PALUMBO, the property developer who recently failed to get planning permission to build a Mies van der Rohe tower block in the City of London, yesterday appointed Mr James Sterling, the award-winning architect to prepare fresh plans for the site.

Mr Palumbo said he accepted that the Mies tower block that he campaigned for 27 years to build on a site near the Mansion House, would now never be built. Mr Sterling will now prepare plans for a commercial office and banking headquarters on the site which has been defended by conservation groups for its rich mixture of Victorian styles.

Mr Sterling is best known for his university and museum buildings. At present nearing completion are his extension to the Fogg Museum at Harvard in the U.S. and a new wing of the Tate Gallery in London.

His recently completed Staatsgalerie in Stuttgart, built at a cost of DM 89m, is one of the most spectacular new buildings in Europe and is as much visited for its architecture as its collection of paintings.

James Stirling with his partner Michael Wilford specialises in what is known as "contextual" architecture. His particular skill is an imaginative reinterpretation of history within realistic margins.

He expressed an enthusiasm for some of the buildings on the Mansion House site

Government system of council grants may be restructured

BY KEVIN BROWN

THE GOVERNMENT is considering a radical overhaul of the rate support grant system, which would deprive local authorities of control over the bulk of the central government grants made to them.

The proposal is being studied by an Environment Department team carrying out a detailed review of the rating system – the method of property taxation which raises a proportion of local councils' revenue, most of the remainder being provided by the Government's rate support grant.

Ministers have concluded that a broadly based residents' charge is the only alternative to domestic rates, and that business rates should be put on a national basis fixed annually by the Government.

Attention has now turned to the distribution of central government funds through the rate support grant system. This makes up 48 per cent of local authority spending and amounts to £8.5bn in England this year.

Environment Department officials say the review team is considering ending the rate support grant in its present form, which is linked to the amount of locally raised rates spent by each council.

It would be replaced by a small per capita grant paid on a standard basis to all councils, topped up by extra payments to cover special needs.

Councils would retain control of the standard grant and of revenue raised through the residents' charge, but the extra payments would be made only for projects or services approved in advance by the Government.

This would allow ministers to sweep away the paraphernalia of targets, grant assessments and penalties which are used to control the growth of local government spending.

The scheme is also set to offer the twin advantages of targeting central funds more closely on the greatest need, while removing large sums of money from the control of councillors who are not accountable to taxpayers.

The extra payments would be made through a revamped Urban Programme, the arrangement under which local authorities can apply for up to 75 per cent government funding for approved projects.

The model for the scheme would be the large-scale "partnership programmes" already operating in deprived areas of London, Birmingham, Liverpool, Manchester and Newcastle. These programmes will distribute £127m of the £338m Urban Programme funds this year.

Ministers are aware that the scheme would provoke serious protests from the largely Labour-controlled authorities which would be affected.

It would also lay the Government open to charges of further centralisation in the wake of the Local Government Bill, which abolishes the Greater London Council and the six Labour-run metropolitan councils in the big provincial cities.

The review team, which includes officials from the Treasury and the Department of Health and Social Security (DHSS), is working towards a final Cabinet decision on rates shortly before the annual Conservative Party conference in October.

A detailed consultative paper would follow before Christmas and a Bill is likely in the 1987 session of parliament.

This may be overtaken by a general election, but those involved in the review say that a mere commitment to reform rates would be insufficient to convince voters that the Conservative Government meant business.

The review team is facing a major problem in producing a detailed analysis of tha impact of possible changes which is required by the Cabinet.

Officials have been denied access to Inland Revenue and DHSS computer information because of confidentiality rules, and there is strong opposition from the Home Office to the use of electoral rolls, which it is feared would link taxation too closely with the right to vote.

Other ideas being considered include the retention of domestic rates as an extra tax on the rich. This is because it is believed that resentment could be aroused by the prospect of small families living in large houses who would pay less in local taxes than less-well-off neighbours.

Ministers are said to prefer a flat rate residents' charge, despite its regressive nature, but a fallback position is being prepared under which the charge would be graduated according to income, probably by self-assessment.

Dental earnings uuder scrutiny

By Walter Ellis

HIGH EARNINGS of some dentists within the National Health Service are being investigated by the Department of Health and Social Services.

A committee of inquiry is looking into claims that some dentists may be carrying out unnecessary treatmant on patients and that present legal provisions are insuffícent to prevent abuse of the system.

Miners' leaders tighten authority over union

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Union of Mineworkers (NUM) at its delegate conference in Sheffield, Yorkshire, yesterday voted in a new rule book which tightens and extends the national executive's authority over its membership.

The vote, by 75 per cent of the 132 delegates, provoked an immediate walk out by the 15 strong Nottinghamshire delegation. Notts officials now see a final split between the area - which worked during the year-long pit strike and - the national union as inevitable. The area council meets tomorrow to review its position.

Mr Arthur Scargill, tha NUM president, said after the first closed session of the rules revision conference that the Notts area rule book - which the area's members had voted by a 76 per cent majority to retain - was "clearly in conflict" with the new national rules and area model rules.

"It would hope the area would have a rethink," he said.

Mr Roy Lynk, the Notts area secretary, said last night that the new rules were "abhorrent" to his members. He said be boped that the area could remain within the national union "if it is possible to operate two separate rule books," - a possibility which Mr Scargill dismissed.

The NUM delegates will today continue to discuss amendments to the new rules - few of which are likely to be carried because of the need to secure a two thirds majority.

One of the rules passed without amendment yesterday stripped the president of his casting vote and thus put him beyond the powers of the 1984 Trade Union Act, which enjoins five-yearly elections for all union national executive members who have a vote.

Mr Scargill argued that this *merely clarified a position which already* existed in the old rules which, although laying down that he had no vote, also gave him a *casting vote in certain limited circumstances.*

He may thus be "president for life" - which, in his case, would be retirement at the age of 65 in the year 2003. However, Mr Scargill said last night that he continued to be a supporter of periodic elections for officials.

Only one proposed rule was cut out in an amendment, by a single vote. That was a new rule giving associate membership to "all those persons who, in the opinion of the NEC are suitable." It was intended for members of the women's and other support groups.

Mr Scargill said that the new category of honorary member - which was passed in the rule changes - could take in such people.

The pattern of voting yesterday suggests that the bulk of the 32 new rules will be passed today. These would give the NEC:

● Powers to call part of an area, an entire area or more than one area out on strike - though a full national strike call would still require a ballot vote.

● The right to merge or dissolve areas and transfer individual members or groups of members from area to area.

● *Powers to indemnify all executive* members in respect of every act done as a member, provided it was done with the prior or subsequent consent of the executive. This rule would apply retrospectively.

● The ability to raise levies from the membership.

Mr Scargill, who has stressed that the new rules have been very carefully considered by the union's legal advisers, said last nigbt they were largely intended to "modernise and clarify" the rule book.

The small right-led areas of Leicestershire and South Derbyshire ere strongly opposed to the new rules and possibly with some support from other right-led areas, may in effect seek to sidestep them.

MPs forecast upturn in demand for British-made steel

BY IAN RODGER

A HOUSE of Commons committee has forecast a significant upturn in demand for British-made steel from next year and has therefore urged the Government not to allow tha closure of any more large steel plants. This recommendation, contained in the latest report of the all-party committee on trade and industry, adds weight to the campaigns being waged in Scotland and Sheffield, Yorkshire, to preserve threatened steelworks in those areas.

The MPs' report goes against the views of state-owned British Steel (BSC) and the European Commission, which foresee little or no growth in steel consumption in the next few years. The Commission has recently said that another 25m tonnes of EEC steel capacity should be closed.

Mr Kenneth Warren, chairman of the committee and a Conservative MP, yesterday defended the unanimous recommendation that no further closures be made as a commercial judgment, not a political one. He said BSC had become a very highly regarded steel supplier. "Customer happiness with BSC is very strong these days." When controls were ermoved from the EEC steel market at the end of this year, the committee believed that BSC would make significant market share gains.

"I don't doubt the European Commission's figures, but surely BSC can get a bigger share of the EEC market," he said.

Mr Warren said he "would not second-guess BSC's view of the market."

But he feared thet a major closure would leave the corporation with too little flexibility.

"We are saying that it is clear from the arithmetic that if they close more plants, they would not be able to meet an upturn in the market."

BSC bas said it would like to close one of its three widestrip mills. The Ravenscraig works in Scotland is considered the most vulnerable.

The committee's report was welcomed by Scottish industry and trade union officials. The Scottish Council Development and Industry said the Government "should act quickly to transform these eminently sensible recommendations into a corporate strategy for industry."

BSC has pointed out that there is still considerable excess capacity in its engineering steelworks, concentrated in the Sheffield area.

Rail arbitration scheme set up to settle customer complaints

BY OUR INDUSTRIAL STAFF

BRITISH RAIL has set up an arbitration procedure for unresolved customer complaints involving amounts up to £500.

Details of the scheme, which will be administered independently by the Chartered Institute of Arbitrators, are contained in a new BR booklet containing a code of practice and a guide to customer service.

The guide sets out publicly for the first time precise performance targets on many aspects of BR's operations. For example, it reveals that BR aims to provide sufficient ticket staff in stations so that customers do not have to queue for longer than three minutes.

The code explains the procedures for ticket refunds and for making complaints and claims for compenation. BR aims to respond to written complaints within five working days.

One kind of case in which arbitration might be required would be that in which a family had missed a holiday flight because of a late train. The arbitrators' decisions will be final and legally binding on both BR and the claimant.

Mr Ivor Warburton, BR's passenger marketing director, acknowledged that BR was not yet meeting many of its performance targets, particularly in responding to telephone inquiries. New monitoring equipment was gradually being installed throughout the country.

BR's service goals include: 85 per cent of Inter City trains should arrive within five minutes of specified times; 90 per cent of other passenger trains should also arrive within five minutes; telephone inquiries should be answered within 30 seconds; there should be an adequate number of seats on all trains except computer trains within London and the south-east of England; the interior of each carriage should receive a thorougb cleaning once a day.

Investors sought for Logica VTS

BY GUY DE JONQUIERES

LOGICA, a leading UK computer software company, is seeking outside investors in its word-processor and office automation equipment subsidiary, Logica VTS, which is believed to be operating at a loss.

Mr Philip Hughes, Logica's chairman, said yesterday that it was discussing with several unnamed companies a variety of proposals, including establishing Logica VTS as a joint venture.

Logica had held discussions on Logica VTS earlier this year with Olivetti, the large Italian office products company, but these were suspended several weeks ago. Olivetti bas been beavily involved recently in dealing with serious problems at Acorn Computers, the UK company, in whicb it took a 49 per cent stake in February.

"The talks are prompted by the feeling that in the medium-term one needs an alliance with a larger partner to compete against the big boys in the office automation field," Mr Hughes said.

Logica VTS, which bas a factory oear Swindon, Wiltshire, made a pre-tax profit of about £800,000 on sales of about £20m in the year ended June 30 1984. But it is thougbt to have lost money since then. Logica made a pre-tax profit of £5.22m on turnover of £69.8m in the same period.

British Telecom is the largest customer of Logica VTS. This relationship could make the subsidiary attractive to other companics seeking to expand in the UK telecommunications market.

Mr Hughes said that there was no question of seeking investors in the main Logica grouo, which went public on the London Stock Exchange in late 1983.

Minister insists teachers' pay offer is final

By Ivor Owen

THE GOVERNMENT will consider establishing new negotiating machinery for teachers once their current pay dispute is settled and disruption in the schools has eoded, Sir Keith Joseph, the Education Secretary, said in the House of Commons last night.

His continued insistence that no money will be made available by the Government in the present financial year to facilitate an improved offer brought angry protests from the Oppositioo benches and Mr James Callaghan, the former Labour prime minister, joined in demands for his resignation.

Teacbers in England, Scotland and Wales have been seeking a 12.5 per cent pay increase, but have indicated in negotiations that 7.5 per cent migbt be accepted. The employers side has offered no more than 5 per cent but is prepared to put some parts of the claim to arbitration.

Sir Keith told his critics: "I am coovinced that the country as a wbole accepts, and most teachers accept, the Government's purpose of better education in our schools and I have taken steps that should enable teachers and employers to get down to oegotiations to secure the extra funding which is on offer for next year."

Responding to calls for a new negotiating macbinery for teachers, Sir Keith said be was "very willing to be convinced" that there was a better method than the existing Burnham Committee. ..But he stressed that even if the Government were to be convinced of the need for cbange legislation would be needed and there would, inevitobly, be some delay before it could be introduced.

Sir Keith recalled that it was a Labour minister who introduced the change which gave the Government representatives on the Burnham Committee a veto, and emphasised that it was oot used on Wednesday, when the latest round of negotiations broke down.

This clear-cut denial came after Sir Keith had been accused of instructing his officials to "wreck" Wednesday's meeting. Mr Giles Radice, Labour's education spokesman, bad asserted that Sir Keith had used the Government's 15 hlock votes against the committee's proposals which had been supported by 19 of the 24 elected representatives.

Mr Radice said Sir Keith's "highbanded behaviour had so angered the local authority associations that the Burnham machinery was on the point of collapse.

He described Sir Keith as a "wrecker" who had demoralised the teaching profession and undermined any chance of bringing the current turmoil in the schools to an end. Mr Radice said: "For the sake of our children you should resign before you do any more damage."

Brushing aside this demand, Sir Keith reaffirmed his willingness to have further discussions on the Government's offer to make additional funds available in the next financial year to improve teachers' pay provided they were linked to an assessment procedure, designed to achieve better educational standards in the schools.

He emphasised that such talks needed to take place without further delay

Underwriters sue over £20m losses

MORE THAN 170 Lloyd's underwriting members bave begun legal actioo over £20m of losses which they are facing at the London insurance market, John Moore writes.

A writ was issued in the High Court and served on Spicer & White (Underwriting Agencies) by lawyers acting for the underwriting members. The action is expected to be defended.

Among those suing over their losses are tennis personalities Mark Cox and Virginia Wade; Mr Niel Shaw, group managing director of Tate & Lyle; Lord Crawshaw; the Earl of Mexborough, the Earl of Ronaldshay; and Major General Sir John Younger

The action alleges that the agency company was in breach of its duty when a syndicate, number 895, into which the members were grouped, took on more business than it was allowed under Lloyd's limits.

The underwriting members also allege that books and accounts were not properly kept and other records were not in order and unreliable.

For Lloyd's, the issue could become a test case. This is the first time that overtrading - or "overwriting" - has become a central issue in btigation in the Lloyd's market between underwriting members and their agents.

The legal action follows an attempt by Spicer & White and its parent company Willis Faber, the insurance broker, to arrange loan facilities to help the underwriting members meet their losses. But the underwriting members were unhappy that if they accepted they would have to agree not to take any legal action against any party involved in the affair until the period of the loans had expired.

In their legal action the underwriting members are claiming damages and interest.

□ DEALERS in the new gilt-edged market being planned for the City of London are more likely to succeed if they form part of larger groups, according to stockbrokers Grieveson Grant.

In an analysis of the 29 groups which bave been approved by the Bank of England as primary dealers, the firm says that they have committed nearly £600m of capital to a market which currently has about £250bn of turnover. Dealing volumes will rise, but not enough to allow all 29 to earn a satisfactory rate of return.

Grieveson, which will itself be part of a group headed by Kleinwort Benson, the merchant bank, says larger groups will be at an advantage because of their ability to run greater risks and absorb larger losses.

□ SALLY LINE, the cross-Channel ferry operator, plans to add a third chartered ship to its Ramsgate-Dunkirk route next year to cope with the growth in traffic and may order a new £20m purpose-built vessel, or possibly two, in two years' time.

The UK ferry line, which is owned by the Sally group of Finland, is also investing a further £5m during 1985 in the port of Ramsgate, having already spent £7.5m there since moving into the area in 1981. A new passenger terminal and other facilities costing £2m are planned for next year.

□ TOUCHE ROSS, the accountancy firm, has been chosen by the Government as advisor oo accountancy matters during the privatisation of British Gas. The firm was chosen from a list of about eight applicants. Its most difficult task will be to guide the Government on distinguishing between assets to be counted as part of British Gas, which will be regulated and those which will be attached to non-regulated activities.

THE PROPERTY MARKET BY WILLIAM COCHRANE

Single property trusts: methods and motivation

PUBLICLY and privately, single property investment vehicles have come in for a lot of discussion this year. On different occasions, various authorities have seen them as a way of solving problems of development funding, marketability—even the status of the chartered surveyor in the investment world.

Putting it simply, a unit trust, an investment company or a syndicate would be formed for the purpose of owning one single building—typically, the £80m City of London office block catering for the twin revolutions in securities industry practice and information technology.

For some years now there has been a perceived problem in funding buildings of this size and cost. Even the biggest institutions, goes the argument, will jib at putting much more than £20m into one property investment; but they might be persuaded to come into multi-ownership if management, and marketability were assured.

Funding

Unitisation, incorporation and syndication were all on the menu in March at the PROFEX conference, "The Changing World of Property Development Finance." At that time, getting the money to build big new developments was the prime topic and existing property unit trusts, covering a spread of properties, came in for some criticism from Edward Luker, a partner in Richard Ellis.

He berated them for, among other things, the wide spread between their buying and selling prices for units, and protracted redemption periods if holders wanted to get out.

Mr Luker also had reservations about the single property unit trust. "A lot of pension funds only started 10 to 15 years ago in property," he said. "They started with property unit trusts, were weaned off to direct property investment and now we're asking them to turn round again."

However, by May the Royal Institution of Chartered Surveyors working party on the unitisation of real property, chaired by C. R. Vaughan of Debenham, Tewson and Chinnocks, had published its consultative document.

The principal recommendation of this paper was that single property unit trusts should be authorised by the Department of Trade and Industry, so that a wider range of investors could be involved in the property market. Existing property unit trusts are unauthorised, and available only for investment by pension funds and charities.

Funding still came into the working party's considerations, but the focus was shifting, through marketing of existing buildings, to the marketability of paper, rather than bricks and mortar.

Then Christopher Jonas, managing partner of agents Drivers Jonas and chairman of the RICS Policy Review Committee, read a June paper which saw a market similar in concept to the Stock Exchange. Markets would be made through a property unit, rather than the buy-back facility employed by existing property unit trust managers.

From here on we were into the marketability of the chartered surveyor as an all-purpose commodity. Mr Jonas saw the agent as:

- Trustee of the units offered by a single property trust;
- promoter or underwriter, bringing individual buildings to the market in unit form;
- manager of such buildings;
- broker, agent or advisor to investors trading in units; and
- market maker in the units themselves.

Investors

There are a number of aspects of this debate which are worthy of consideration. Most of them revolve around motivation—of the developers, the investors, various industry bodies, individual firms of chartered surveyors or investment managers—and, perhaps, others who may not have been consulted to date.

Among the developers, Sir Jeffrey Sterling of the P & O/Sterling Guarantee combine said last week that he was sure that syndication would come in one form or another; in the meantime he was going ahead in partnership with Stockley on a refurbishment or redevelopment of Beaufort House in the City of London where the redevelopment option might cost between £50m and £60m.

Patrick Scott, who heads the Woolgate Finance team which has just spun off from Chase Manhattan—and has single property unit trust financing very much in its sights—reckons that good developments will go ahead whatever the funding "problem"; what unitisation would do, he says, is maximise the development profit.

There is nothing inherently wrong with that. As in retailing, where a modern shopping centre can go for nearly twice the yield, and half the value per square foot of a traditional high street unit, so big office buildings are valued at a discount for size and inherent illiquidity.

The question is who participates in the enhanced development profit. Rodney Pollard, property investment manager for Royal London Mutual, touches on this in an attitude which is basically all in favour of unitisation.

With its Triton Court, Finsbury Square building well on the way to full letting, Royal London has a single City office property investment worth £60m—really all that it can afford to have in one lump.

"We would participate in unitisation," says Mr Pollard, "and I think others would as well; it is an attractive way of getting into the mega-building market."

He would want to know: how he would play a part in the organisation of the development; how it would be managed; and how he would get out, if he wanted to sell. On the organisational angle, Mr Pollard would favour the involvement of a group of investors so that they could share the development profit.

Like a number of other commentators—including Patrick Scott, and Bill Harrington of stockbrokers Quilter Goodison—he thinks that multi-let buildings, rather than single tenancies, are the appropriate type for multiple ownership.

On the positive side, rent reviews for a series of tenants give a running guide to the growth or otherwise, of the investment's income. On the other, as Mr Pollard puts it: "The risks of letting a building to a single occupier can be much greater than generally perceived in the market."

When the emphasis switches from development funding to the marketing of existing buildings, Roy Coombs of merchant bankers Schroder Wagg, chairman of the Committee of Property Unit Trusts, begins to get suspicious. "I would be watching out for the development which, though funded, has not performed as well as expected," he says.

Market

The Committee, mildly irrated by cheap shots from chartered surveyors, thinks that the RICS working party might have benefited from the inclusion of a property unit trust manager or a merchant banker or a stockbroker, since unitisation, finance and market making seemed to be the basis of its brief.

They say that their average spread between buying and selling prices is 5 per cent and that this does little more than cover buying or selling costs; and that there is already a secondary market in unit trusts developed by a number of stockbrokers and merchant bankers—Phillips and Drew and Schroders among them—which is available as a speedier alternative to the redemption process.

On direct and indirect property investment, Roy Coombs says: "I know three pension funds which went direct about ten years ago. One is liquidating its properties and coming back into property unit trusts; one is exchanging most of its properties for units; the third is undecided, but it is likely to go the same way."

There is nothing, says the committee, to stop existing management groups setting up their own single property unit trusts. And there is also nothing, adds Stuart Ullman, secretary of the committee, which is new in the concept.

About the beginning of 1961, he says, property investment pioneer Jack Wickert of Esso put this very idea up to Jones Lang Wootton doyen Norman Bowie. What came out, eventually, was the 1866 formation of the Pension Fund Property Unit Trust (PFPUT), the forerunner of an investment sector dominated by merchant bankers and insurance companies.

Chartered surveyors can, and should get into this field. New blood has always helped the city evolve.

But they should remember what they are up against, in terms of the size and experience of the existing participants.

Green light for Bredero centre

THE SECRETARY of State for Scotland yesterday finally gave permission for Bredero's long-planned shopping centre on a 9.8-acre prime site adjacent to the new St Nicholas Centre and the recently expanded Marks & Spencer store in the heart of Aberdeen.

Bredero will be building 270,000 sq ft of shopping, *43,000 sq ft of offices* and 1,050 car parking spaces, doubling car parking facilities in the city centre. The scheme will provide four major stores and 39 shop units, new bus facilities and a link road.

Letting agents are Knight Frank & Rutley. Architects are *Jenkins* and *Marr* of Aberdeen and Van den Broek en Bakema of Rotterdam, Holland.

- BTR has sold the head lease of the former Dunlop head office building in St James Street in London's West End to Guardian Royal Exchange, in association with Victory Land, for some £6m.
- Healey and Baker's second PRIME (Property Rent Indices and Market Editorial) looks for accelerated rental growth in high quality shopping, as long as supply lags behind demand.

On offices, even in the south east, it says investors should be careful: "Even in established locations a two-tier market often exists between well-designed property and that which tenants now regard as obsolete by modern standards."

On high-technology rents, the significant revelation is that the largest rental increases have been recorded in locations where public monies have been invested in infrastructure.

- Connells, residential and commercial estate agents, have paid £2.88m to acquire Collier and Madge, the London-based chartered surveyors and property consultants.
- *Capital and Counties,* still telling shareholders to ignore the bid from Liberty Life, has sold its Roger Malcolm housebuilding subsidiary for £6.5m cash to *Bellwinch* in a management buyout supported by a group of institutional investors.

Capco says that investing the capital released in the mainstream of the company's business, commercial property development, particularly of shopping centres, would not only improve the quality of the group's earnings but also increase the return to shareholders in the longer term *through capital growth.*

- Danny Desmond's Bride Hall Developments has bought the 8-acre Heston Distribution Centre adjacent to the Heston Service Station, half a mile from Junction 3 of the M4 and five miles from its intersection ith the M25.

MANAGEMENT

Leadership

Sleeping giants begin to stir

Christopher Lorenz examines corporate attempts to break with bureaucratic habits

HELMUT MAUCHER freely admits that, until just a few years ago, Nestle's sprawling worldwide organisation laboured under the weight of a berd of sacred cowa:

● the use of vegetable fat by a company so dedicated to milk products was aeen as taboo, no matter how lucrative the market *opportunities*;

● it was seen as "a sin" for a company so identified with soluble coffee to join its competitors in selling roast and ground coffee;

● no matter how attractive the range of potential new products, it was considered an immutable fact that consumers in certain countries thought debydrated food was "second class" in comparison with canned and frozen products.

The company was also riddled by the "not invented here" syndrome—the attitude that if a new product was developed by, say, the Brazilian subsidiary, it was probably not worth trying in Germany.

"There are more dogmas in big companies than you might think," says Maucher ruefully.

Since becoming managing director of the Swiss-based food giant in 1981, Herr Mancber bas set about changing all that. He has adopted a style of strong but npen leadership, encouraging what he calls "management by provocation" — rigbt down to ataring people in the eye and asking them "are you part of the solution or part of the problem?"

He has ruffled plenty of feathera, botb within and outside the company. But his style is proving effective. He has laid many of the sacred cows to rest. He has cut hack bureancracy (including planning and market research). He has tried to encourage a greater degree of market-orientated risk-taking on the part of decentralised business units. And he has succeeded in speeding-up decision-taking while at the same time introducing a much greater element of co-ordination between Nestle's plethora of geographic and product markets round the globe.

Since the beginning of the 1980s, and tbe onset of Europe's current economic troubles, a bevy of large and medium-sized companies in many corners of Europe bas embarked on a similar revolution. Like Nestle, they are certainly making beadway. But with even the best-managed American and Japanese companies constantly atriving to improve, they have a lot of catching up to do.

In the front line of the European revolution is a number of fundamentally strong but sleeping giants such as BP, ICI and Unilever, wbicb bave begun to be sbaken up by a new breed of no-nonsense cbairmen and chief executives—ranging in style from BP's cerebral, restrained Sir Peter Walters, to the long-haired, bard-swearing Sir John Harvey-Jones of ICI.

Such leaders are giving their companies a new sense of direction, generally stripping them back to their basic businesses, and then grafting ou a set of new activities whicb have been more carefully chosen than past diversification. Equally important, the new breed bas begun to cut through decades of accumulated bureaucracy, and to alter managerial attitudes quite dramatically—its members have, in the fashionable jargon, set about changing the corporate culture.

As at Nestle, tbe ground was prepared for them by a decade or more of gathering concern among a body of managers within the company at its growing bureaucracy and loss of touch with the marketplace. But in no case would the changes have occurred of their own accord. "It needed a leader with the courage to take action," says Professor John Stopford, Director of the Centre for Business Strategy at the Londnn *Business School*. As Helmut Maucher himself points out, "the most difficult thing is to get people to change *before* the company runs into trouble."

A second, much larger group of companies has had no choice but to attempt an even more urgent task: saving themselves from an abyss whicb was already yawning. Bul with a few exceptions, they too needed new leadership to initiate the necessary management revolution.

As with most of the sleeping giants, their recipe for recovery has included swingeing rationalisation, all-out cost-cutting, and a sustained drive for higher quality in products and customer service. But it has also had to embrace the double-

quick erection of proper budgeting and control systems, and the instilling of greater management competence through a mixture of retraining and recruitment programmes.

In many cases this has been accompanied by greater decentralisation of day-to-day decision-making, with the centre retaining clear control over strategy; in some of the awakening giants, by contrasl, American-style "strategic business units" have belatedly begun to creep into fashion, and there has been more of an emphasis on devolving strategic as well as operational responsibility.

One of the most successful recoveries from the grave has been accomplished by SAS, the Scandinavian airline which since 1981 has been transformed by the all-round leadership skills—especially in marketing and staff motivation—of the dashing Jan Carlzon. From being one of Europe'a least popular and profitable airlines it has become a practitioner of many of the principles earmarked in "In Search of Excellence"*: "close to the customer," "productivity through people," "sbared values," "bias for action," and so forth. By also reinforcing the company's control systems, Carlzon bas restored the company's viability with remarkable speed.

Less widely publicised cases of Lazarus-like recovery include ASEA, the Swedish electrical equipment group, and Fisons, the UK pbarmaceutical and scientific apparatus company. Countless other former laggards are now trying to achieve the same nail-biting miracle, including Italy's Montedison, Britain's Tate and Lyle, and Asuag-SSIH, the Swiss watchmaker which only a few years ago seemed doomed to extinction.

Most of these putative Lazaruses still have far to go before they acbieve anything approaching "excellence." Some of the awakening giants, already highly systematic and just starting to be loosened-up, are, in theory, nearer the target. But are the cbanges in such companies sufficiently widespread and far-reaching to close the transatlantic management gap wbich this series of articles bas identified? Even more to the point, can they narrow the gap with Japan?

It is not only certain European companies, but also particular nationalities, which bave a better chance than others to apply the management principles whicb will be vital to future competitiveness. But the list of challenges is a *daunting* one, and nverall, the auguries for Europe are decidedly uncertain.

● Overriding all else will be top management's ability to develop a clear vision of where the company should he going and hy whicb route, and to communicate this tbrough the organisation in the form of an explicit set of objectives. Remarkably tbis essential step is only just starting to be practised by many European companieo. "Five years ago the number wbicb set clear objectives could be counted on the fingero of two banda," saya Paul Evans, professor of organisational behaviour at Insead, the French-based European business school. To be effective, objectives must be much more than just a set of financial targets.

● In creating this corporate vision, top management must recognise that competition is already international, and in many markets is going global. Strategies and structures will bave to be cbanged accordingly, and alliances forged with foreign partners. Robb Wilmot, chairman of ICL, complains that many European company chiefs are still nationally myopic.

● Companies must improve the sophistication of their markeling, especlally their cuslomer segmentation and the differentiation of their products and services. A new breed of European companies, epitomised by the Benetton clothing group and IKEA, the Swedish-based discount furniture chain, have shown what can be achieved—in true Japanese atyle—by changing the rules of the game in particular markets, going international fasl, and combining this with imaginative invenlory management and materials handling.

But most established companies have so far failed to innovate so dramatically—or even to respond to pressing competitive cballenges. An extreme example was Michelin's refusal to react to U.S. demand for all-weather tyres, an error which helped create its current crisis.

● Having built competence in particular functions, companies must develop the ability of managers at all levels to think more clearly and strategically. Many German executives "lack the ability to synthesise func-

wider perspective," says Slop-tional thinking," says Herbert Henzler of McKinsey & Co. In Britain, too, "managers need a ford of LBS. Few European companies of any nationality invest enougb effort in management development.

● Companies must cut back bureaucracy. Much supposed streamlining all too easily becomes a delegation of bureaucracy to lower levels. When Bayer freed its board from day-to-day operational responsibilty last year, to let it concentrate on strategy, the German chemical giant created a new tier of co-ordinating management ("sectors"), and a stronger corporate staff.

By contrast, U.S. General Electric, always an international pace-setter in management structure and styles, has slashed its central staff and disbanded several of its sectors, so that a number of units at lower levels in the organisation now report direct to GE's three-man corporate executive office.

● Companies must stimulate risk-taking and entrepreneurship. "In many companies you can do 10 excellent things and then get banged if you make just two mistakes," says Professor Hermann Simon, head of USW, Germany's leading executive education centre.

Three main faclors make it difficult for some European companies lo rise to these challenges:

1. Leadersbip. As Maucher, Harvey-Jones and Co have shown, Europe'a sleeping giants are in need of more incisive leadersbip, not only at the top, but at various levels in the organisation. This requlres more direct discussion and confrontation between managers. As in many U.S. companies, such conflicts are accepted in Scandinavia, and increasingly in Britain. But they are consciously avoided in many German and French groups. Professor Dominique Heau of Insead knows at least one major French company where the word conflict is expressly taboo—"this is a manifestation of poorly-analysed problems," he says.

In most German companies, individual leadership is actively discouraged, especially at board level. Many large groups are suffering from rigid boardroom attitudes, complains Simon of USW. As a result "a lot of companies are having to change in *spite* of top management, rather than because of it." He detects "a huge generation gap" inside such companies, and reports that "guerrilla warfare" is rife, with second or third-level executires acting in direct contradiction to top management decisions.

2. Managing ambiguity. For a multinational to achieve the ideal balance between centralisation and decentralisation, tightness and entrepreneurship, it needs to be able to operate with a flexible mixture of what "In Search of Excellence" called "loose-tight controls." Such ambiguity may be acceptable in straight-from-the shoulder cultures such as America and Scandinavia, but it is foreign to the French and Germans. "French people find it almost impossible to manage ambiguity," says Heau. "Germans are not good at it, either," adds Simon.

3. Managing complexity and diversity under pressure. A welter of factors is increasing the complexity of business management, and the pressures under which companies must operate. They include: globalisation; growing interdependence (technological, market, or otherwise) between previously distinct parts of the company; the shortening of product life cycles; and the need radically to improve the co-ordination of research, development, marketing and production.

Yves Doz, professor of business policy at Insead, stresses that these trends are by no means confined to high-technology industries. Against the background of Europe's other managerial shortcomings, he questions the ability of many European companies to manage such complex, systematic problems under intense time pressures. "Europe's past successes have been concentrated in stable and predictable industries," he points out.

In the face of such odds, it will be difficult for many of Europe'o awakening giants to close the managerial gap with America and Japan. As Professor Doz, Simon and many others argue, much will depend on the ability of a new generation of top, senior and middle managers to break with the bureaucratic habits of a comfortable pasl, and to develop a new combination of vision, leadership, rigorousness and flexlbility. Otherwise Europe will remain a bunch of managerial and competitive torloises.

* *Harper and Rote £11.50 (£6.50 paperback).*

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books

FOR THE BUSINESSMAN

CREATING THE ENTREPRENEURIAL SOCIETY

Heroes of the centre stage

Innovation and Entrepreneurship
by Peter Drucker. Heinemann, £10.95. 249 pp.

ENTREPRENEURS used to be discussed obscurely in classical economics texts, or at least confined to the wilder fringe of the business books market. In the 1980s they have finally made it to centre stage.

In the U.S. they have assumed the roles of heroes. It is the entrepreneurial spirit, says Mr Peter Drucker, which explains why America has raced ahead of Europe in job creation.

Whereas the U.S. had 20m jobs fewer than western Europe in 1970, it had 10m more by 1984. While Europe is crippled with Eurosclerosis, the U.S. has shifted spectacularly from a managerial to an entrepreneurial economy.

What, however, is entrepreneurship? Mr Drucker never comes up with a precise answer, and some of his oblique attempts are a little puzzling. It is not a personality trait, he says, although most people probably picture the entrepreneur as a restless individualist and go-getter. Nor do entrepreneurs have a propensity for risk-taking — contrary to textbook notions. Rather, they define risks and try to minimise them.

As the book's title suggests, he closely links entrepreneurship with innovation. At times the concepts almost appear interchangeable in his text. Certainly the two characteristics are often associated, but nevertheless many successful entrepreneurs have made do with secondhand ideas. Mr Drucker has to get around this problem by inventing an entrepreneurial strategy he defines as "creative imitation," which he unblushingly recognises is a contradiction.

So why is he bending the concept of entrepreneurship? The answer gradually emerges as he embarks upon a lengthy series of case histories, heavily weighted towards companies like IBM and Ford (the Edsel and all). British readers will find it strange to come across Marks & Spencer repeatedly referred to as highly entrepreneurial without attempt at justification.

And at one stage, the decision of the Girl Scouts to enrol pre-school children is cited somewhat bizarrely as an example of entrepreneurial behaviour by a public service organisation.

At length it becomes clear: most people tend to personalise entrepreneurship but Peter Drucker is trying to institutionalise it.

This is the management consultant's view of entrepreneurship. You do not have to be a brilliant individual but "everyone who can face up to decision-making can learn to be an entrepreneur and to behave entrepreneurially." It is not, after all, a question of natural flair; entrepreneurship can be "systematic" and "purposeful."

But if Mr Drucker is guilty of cheating, the transgression is easily forgiven. His real motive is not to inspire executives to break away in spectacular solo ventures (although there is some discussion of the organisational requirements for success) as to encourage medium-sized and large corporations to adopt a more entrepreneurial approach.

The belief that large businesses do not, and cannot, innovate is a misunderstanding, he says. The biggest impediment to entrepreneurship and innovation is an existing successful operation, because it *absorbs* all the management's energies.

And it is easier for a large organisation to set up the structures to surmount this than it is for a small one.

Thus, management meetings must not be devoted exclusively to problem-solving. There must be a second monthly meeting focused on opportunities. The entrepreneurial and new, has to be organised separately from the old.

It may be one thing to reform the structures, but can prove quite another to change the people. Mr Drucker is clear that it must be done: "Innovation must be made attractive and beneficial to managers," he says. But how?

The problem crops up again more clearly in the final chapter when he speculates on the nature of the entrepreneurial society. It will involve habits of flexibility and of continuous learning and re-learning. It will require acceptance that change should be viewed as normal and as representing opportunity.

As for bodies like trade unions that protect past privileges and resist change, there must be "the systematic abandonment of outworn social policies and obsolete public-service institutions."

It all adds up to a fascinating vision seen from somewhere like Silicon Valley. But it does not bear much relationship to the reality of Europe, where security is at a premium and risk very much at a discount.

Mr Drucker says it is not much use Europe trying to graft high-tech entrepreneurship on to a backward-looking economy; the entrepreneurial attitudes must extend right through society. We cannot have entrepreneurship without entrepreneurs, after all.

BARRY RILEY

HOW AUDITORS MISS DISCREPANCIES

Beware salami slicers

Corporate Fraud: The Basics of Prevention and Detection
by Jack Bologna, Butterworth, £28 (hard covers). 217 pp.

IF YOU have never toyed with the idea of putting in a Trojan Horse to do some salami slicing, or wondered how high you could fly on one revolving cheque, this is probably not the book for you.

The leading idea in Mr Bologna's discussion of corporate fraud is that to be an effective investigator you have to be able to think like the people who perpetrate fraud. By contrast conventional financial audit procedures are not designed to detect intelligent manipulation of the accounts, so the most distinguished firms of auditors repeatedly miss all but the most glaring discrepancies, he says.

Salami slicing, for instance, is a basic computer fraud. It consists of slicing a small amount off *all the* amounts in one block of accounts — say the payroll — and adding all the slices back to just one of them — your own payslip. Until the techniques became well-known, such frauds were apt to slip through a normal auditing net because the total credits and debits on the payroll account balanced. No questions were asked unless the slices of salami became so thick that colleagues complained of short-weight in their pay packets.

Cheque kiting is a delightfully simple method of pumping up liquidity by circulating the same funds through multiple bank accounts, taking advantage of overdraft facilities to gear-up at every stage in the cycle of deposits and withdrawals.

The beauty of this device — which has also found favour with companies in urgent need of extra reported turnover — is that unlimited amounts of liquidity can be created in time. What this does to the money supply figures is nobody's business, but it certainly increases the velocity of circulation.

In a recent case the prominent Wall Street broker E. F. Hutton pleaded guilty after a three-year Federal investigation to 2,000 charges of mail and wire fraud. Hutton has promised to repay $8m to about 400 banks unwittingly providing it with $1bn of interest-free funds.

Besides giving hints on these beginners' exercises, Mr Bologna also takes on the standard types of fudging that appear in, or are foisted upon, company accounts. These include everything from sales or inventory exaggerations to genuine payments in favour of fictitious suppliers.

Mr Bologna is better on employee frauds against a company — mainly achieved by fiddling from inside the accounting system — than on frauds by companies against their customers or shareholders. Financial intermediaries with an interest in the subject will regret that there is so little instruction on the use of clients' money.

But anyone worried about the amount of stock shrinkage in his business or that divisional managements are massaging performance figures will find useful check-lists of signs to look for.

Fattening a company before sale has recently led to a number of suits against the auditors who gave approval to misleading balance sheets. But Mr Bologna has relatively little to say, though some useful hints on the role of creative inventory management are dotted throughout the book.

The elementary trick of overstating the closing value of stocks, diminishing the apparent cost of sales and flattering profits for the period, is still one of the most effective in the false-accountant's repertoire Mr Bologna is helpful in showing some of the more frequent give-aways.

The Trojan Horse? That is the illicit piece of computer programming which gets the salami sliced.

JEREMY STONE

DRAWBACKS OF FRANCHISING

Pitfalls await the unwary

The Successful Franchise— A Working Strategy
by Golden Square Services.
Gower Publishing. £18.50. 126 pp.

FEW BOOKS can set out the disadvantages as well as the the benefits of becoming a franchisee as clearly as this latest volume on the subject.

Presented in a clear, straightforward style, the book provides a welcome counterpoint to the often uncritical acclaim attracted by an industry which has grown to account for one-third of retail sales in the U.S. and is rapidly following the same pattern in Britain.

"That is not to say that franchising is a totally safe bet," warn the authors, Golden Square services, a financial planning consultancy. "Because large scale franchising is still a relatively new phenomenon in the UK, there are still pitfalls for the unwary."

Franchisees acquires rights to products or services for average capital payment of £26,000 and regular royalties, according to the British Franchise Association. Successful examples in the UK include Wimpey restaurants, Prontaprint and in the U.S., McDonald's, the world's largest hamburger chain, which is now to franchise in the UK.

The BFA predicts that the industry's sales will grow from last year's £1.04bn to more than £5bn by the end of the decade with the acceptance that franchising is a relatively safe way into business for individuals. More companies will also come to see it as an economic way to expand with other people's capital.

Among the risks for the franchisee, warns Golden Square, are that royalties have to be paid even if the franchisor has pulled less than his weight in building the business. Royalties are also based on turnover, which can be an expensive disadvantage if the franchisee is asked to take part in costly promotional ventures that increase turnover without increasing profitability.

The franchisee also has virtually no protection if the franchisor goes out of business. The vehicle rust-proofing franchise run by Ziebart GB, for instance, went into liquidation in November 1982 amid a blaze of recriminations.

The plus points for the franchisee can be considerable, however. The franchisor's bulk-buying can offer the advantage of low-cost supplies. A good franchisor will also have specialist staff to help guide through the complex tangle of building and planning regulations, and a chain of franchised outlets can afford more effective advertising campaigns.

Golden Square maintains that a franchisee's start-up costs will usually be lower than setting up from scratch. Wimpy, for instance, says the first investment in equipment, mechanical services and shopfitting runs to at least £170,000.

That may look steep, but Golden Square says: "You can eliminate the factors of initial waste and mistakes that commonly account for at least 25 per cent of the (non-franchise) start-up cost."

The book is written with the practical needs of a potential franchise in mind, rather than attempting to provide a scholarly analysis of the industry.

It takes the reader stage by stage through the process, from deciding suitability as a franchisee to investigating the franchisor and raising finance. Each chapter is followed by a checklist, enabling the businessman to analyse his situation.

There is also a brief section for the would-be franchisor, though it offers less exhaustive advice.

WILL DAWKINS

BOOKS OF THE MONTH

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books

FOR THE BUSINESSMAN

THE CHRYSLER RESCUE

When bullying won the day


Paul Volcker, Fed chairman, played key role.

New Deals. The Chrysler Revival and the American System

by Robert Reich and John D. Donahue. Times Books New York, $17.95. 346 pp.

BY CONVENTIONAL yardsticks, the U.S. Government's decision to bail out the Chrysler Corporation in 1979 turned out to be an unqualified success. Six years later Chrysler is healthily profitable, and able to afford ambitious diversification plans. The Government no longer has any involvement, and the provisions of the Chrysler Loan Guarantee Act are relevant only to historians.

Yet the debate persists. What was the real impact of government intervention? Who gained from the decision to keep Chrysler out of formal bankruptcy? What are the lasting lessons of the bail-out, and could such an exercise succeed again?

These are the themes of the book by Robert Reich (best-selling author of The Next American Frontier) and John Donahue. The authors give a detailed history of the rescue, and raise some valuable questions about its outcome.

The essence of the deal was that the Government put stringent conditions on public help. Constituencies with an interest in Chrysler's survival—labour, bankers, suppliers and dealers—were forced to scale down claims on the faltering company before the Government would agree to guarantee up to $1.5bn of debt.

This put a powerful weapon into the hands of management. In the painful negotiations that followed, the Government rather than the company could be cast as the villain.

Other senior federal officials also played a key role, especially Mr Paul Volcker, chairman of the Federal Reserve.

Browbeating tactics won the day and there are respectable reasons for arguing that this was much to be preferred to a conventional bankruptcy. Although there is little doubt that large parts of the company would have been preserved if it had gone to the wall, the crisis came at the start of a vicious recession and threatened one of the hardest hit parts of industrial America.

Proponents also argue that the rescue made budgetary sense. The country avoided the loss of tax revenues and the rise in public assistance claims from secondary shocks on suppliers and creditors. And the state's exposure was well covered by its claims on Chrysler's assets.

Yet the Loan Guarantee Scheme was not the only way the federal authorities influenced that recovery. As the Fed's clampdown on the money supply late in 1979 turned the company's cash shortage into a dire threat, so the monetary policy introduced in 1982 turned Chrysler's convalescence into a triumph.

Moreover the Reagan administration, which regarded the rescue with repugnance, was to funnel public subsidies to the company on a scale that was larger, although less overt, than those involved in the loan guarantees. One initiative was the tax reform of 1981, which enabled Chrysler to sell its tax benefits. The second came from a "voluntary" quotation on the sale of Japanese cars in the U.S., also imposed in 1981.

Opponents of the rescue say it will be a precedent of the Government's willingness to rescue bad managers. And conditions may not work a second time. Since the state bailed out Chrysler, its threat to withhold aid could be dangerously less credible in any future case.

In addition, Mr Paul Volcker's approach can hardly be turned into a lasting instrument of industrial policy. As the authors ask rhetorically: "Do we want our elected and appointed officials to pressure small-town bankers to take on more risk so giant firms can survive?"

Finally, the main beneficiaries of the rescue were Chrysler's managers, creditors and stockholders — the groups which expect high rewards for baring risk. Less certain is how large a part of the workforce was preserved. As the Act was passed, Chrysler employed 87,000 hourly-paid workers in 32 production facilities across the U.S. By 1984 it employed about 60,000 in half the number of plants.

The authors conclude that the Chrysler rescue worked, by the goal the rescuers served. "But the episode left unprobed the messier issues of what obligations we owe each other to share the risks, costs, and rewards of economic change."

RICHARD LAMBERT

TACTICS OF MANAGEMENT

Zen and the dark side

Management by Guilt and Other Uncensored Tactics

by Nicholas V. Iuppa, Pitman Publishing £9.95, 129pp.

TO BE a good manager you have to know how to listen, how to be sensitive, how to insult, how to bribe, how to use rumours and how to run a baseball team, says the author of this slim and rather engaging volume.

You must never forget that, before anything else, management is about control. Once you've got it, hang onto it, says Nicholas Iuppa. To help, he has listed 20 techniques ranging from management by intrigue to management by absolute honesty, and from management by seduction to management by revenge.

It does not stop there. He throws in a dozen extra tactics, including cosmic management (take care, "the darkest side of this tactic led to the Spanish Inquisition and the Third Reich"), and management by looks ("combine looks with sexism and perversion and you get management by exhibitionism").

If all this seems too wearing there is always Zen Management. The author wisely concedes that this is "heavy stuff," but don't worry. "Keep the spiderwebs out of your own head, keep your perspective, face your own monsters and get a good handle on your reality." Exactly.

Mr Iuppa, late of Kodak, Walt Disney and the Bank of America, is only partly serious. And he has catholic tastes: it is quite a feat to get Adam and Eve, Mary Queen of Scots, Elizabeth I, Don Juan, Richard Nixon and Adolf Hitler on to one page. (They are all said to be people who managed by seduction.)

The author has most fun with this dark side of management. The possibilities of management by guilt, for instance, are huge. There is the guilt rebound, the guilt volley, the guilt cycle and even the guilt epidemic.

Mothers, he notes, are management-by-guilt professionals. And the really successful user of guilt as a weapon will "really rub their noses in it" if "employees screw up." Then "he'll make them feel so guilty that they'll never do it again."

Virtuous managers — those who listen, are honest, sensitive and responsible—are boring by contrast.

Mr Iuppa's heed is with the management virtues—he says the ability to listen well is "perhaps the greatest discovery since breathing." But his heart is drawn to the "primal tactics"—bribery, even seduction, intimidation, guilt genius and confusion.

Each tactic is examined in a few pithy pages and followed by a quick case study. The overall effect is not profound, but it is provocative and sometimes illuminating. Sadly, there is a little too much country club folk wisdom and it can grate.

I am going to get into Zen management, zap my "demon of a subconscious" and "get a good handle on reality." Then everything will be all right.

DAVID BELL

ANALOGIES OF CONFLICT

War and business do not mix

Business Wargames

by Barrie G. James. Abacus Press, £14.95. 233 pp.

"THIS IS one of those books which one feels should have been written before," says Mr Bernard Taylor in the foreword. This reviewer is tempted to agree. The book should have been written before — preferably so long ago that nobody now remembers it.

Although there are some superficial, if obvious, analogies between business and warfare, it is all too easy to exaggerate them. In writing this book, Dr Barrie James, a senior executive with a big pharmaceutical group, seems to have perpetrated what he would call an "overkill" — the application of resources "in excess of that which should be adequate to attain specific business objectives."

The drawing out of analogies between business and military conflict might conceivably fill a magazine article. Filling a 230-page book is a strain even for the enthusiastic Dr James.

Readers are treated to an extensive, if banal, glossary: Dr James attempts to give a convincing business connotation for well-worn military expressions

A scorched-earth policy is thus "the devastation of a market, for example by reducing prices to below costs, to leave nothing salvageable to a competitor." Guerrilla warfare is "an extreme form of unconventional offence using primarily illegal methods such as pirating copyright, patents and trademarks to achieve market share objectives."

The list seems interminable and the utility of such definitions for those seriously interested in business strategy is hard to discern.

It is difficult to convey the impression created by Dr James's bizarre juxtaposition of military and business episodes. There are dangers in being unprepared for combat the author explains in his final chapter.

He says: "The British were completely unprepared to resist the Argentine invasion of the Falklands, even though there was considerable diplomatic, satellite, signal intercept and covert intelligence to suggest the imminence of an attack."

In the next breath he adds: "The Woolworths store chain failed, in both the U.S. and UK, to spot, and respond quickly to demographic shifts of households to the suburbs."

Both statements may be true. But they are related only in a tenuous manner—as examples of the penalty of a lack of foresight. This failing permeates all aspects of human endeavour, not just business and war.

Readers will have to decide how far the analogy between business and war can sensibly be pushed.

Remarkably, Dr James seems to regard business life as a perpetual clash between self-absorbed titans who have never heard of consumers. Nowhere does he face the simple reality that businesses exist primarily not to slug it out but to serve their customers.

The companies which anticipate and meet consumers' needs best will prosper, not necessarily those which are most warlike.

MICHAEL PROWSE

TECHNOLOGY

EDITED BY ALAN CANE

Method and madness in Lloyd's new building

Jane Rippeteaux explains the technology holding up London's oddest piece of architecture

MANY OF THE world's most technically advanced buildings are wrapped in flat walls of glass and metal, provoking little curiosity about what lies beneath. The new Lloyd's of London building, now almost complete, is quite the opposite. With service cranes on its roof, staircases on its exterior, thick glass walls, and towers jutting off in different directions at different heights, it almost begs for an explanation. And that is just what the architect wanted.

"A building should be read," says Richard Rogers of project architect Richard Rogers and Partners. "You should be able to see what makes it work." He has become famous applying the concept, and adds that it is not new, noting that builders of Gothic cathedrals were quite happy to leave their huge supporting buttresses on display. Such features, he says, "give a building grain and scale, light and shadow."

❛ What is unusual is how existing technology has been adapted ❜

In the case of Lloyd's, they also reflect the specialised characteristics called for by the owner. As the architects and engineers point out, there is method in the madness of this great machine of a building.

Put very simply, most buildings consist of outer walls linked by floor beams to a central core, which encases not only structural supports but also lifts, fire escapes, lavatories, building equipment and other services such as ducts to carry wiring.

Lloyd's has no such core. Except for structural columns, what would be the core is empty space, a vast building — tall atrium. Instead, the usual core elements are divided among six satellite towers set around the otherwise rectangular building, which have become such a controversial feature of the design.

"*We took the core out. It all happens outside,*" says Tom Barker, director of Ove Arup and Partners, which handled structural as well as mechanical and electrical engineering for the building. "The office area is completely uncompromised."

This was the key for Lloyd's. Having outgrown two new buildings this century, it wanted to triple its underwriting space without losing its layout as a single marketplace. That marketplace is part and parcel of Lloyd's business; brokers can shop around among dozens of underwriters for the best deals for chunks of insurance risk. It is felt that this marketplace will be preserved by the column-free floors and glass-walled atrium that allows people on different floors to see each other. The format also meets Lloyd's requirement for a building that allows future expansion, or contraction if business declines. Upper floors, initially leased out, can be reclaimed if needed.

Despite all these unusual features, there is, from an engineering standpoint, nothing revolutionary about the building. What is unusual, however, is how existing technology has been adapted by Arup's engineers to satisfy architectural ends. A problem over how to attach the satellite towers to the rest of the building illustrates the process of innovation in engineering that is essential to making architecturally unusual buildings possible.

"The towers had to be tied to the main building or they would fall over," says Turlogh O'Brien, head of Arup's 40-strong research and development unit. But, because the towers are structurally independent, they move differently, they settle differently and they have a different temperature expansion. That made for a very complicated joint.

The project engineers turned to Mr O'Brien's unit, a large and diverse entity for a structural engineering company. Brainstorming sessions included specialists in structures, materials and even coating products. The main purpose was not usually to find the solution, but rather to identify the constraints. His team often can quickly see several solutions, and will begin by suggesting them so that the designers will react, complaining "it looks terrible, costs a fortune or does not fit," in a process that forces them to be specific about what they want, he says.

Ashley Ashwood

One of the six satellite towers with, right, the facade of the old Lloyd's building

One of the key constraints concerning the joints had to do with construction difficulties. The site of the project, in the congested heart of the City, is very tight. Large heavy pieces of steel must be delivered by lorries at night, and erected immediately because there is nowhere to store them. The joints, then, had to be of a design that could be fixed quickly at night.

After such a session, O'Brien's team will talk with suppliers, search through literature, and discuss ideas among themselves. The joints problem was solved with a system including stainless steel plates and epoxy resins that could accommodate differential movement as well as speedy assembly.

Richard Haryott, director of the parent company, the Ove Arup Partnership, says innovation in engineering more often occurs through painstaking effort than sudden revelations. Solutions "come from the very boring process of being utterly logical."

An aspect of Lloyd's that Arup engineers are especially proud of is the mechanical system. Air conditioning will be channelled up from the floor, rather than down from the ceiling as in conventional systems. Heat generated by people and machines will be captured through ceiling ducts and blown through cavities in the glass wall exterior; in winter, it will feel warm to the touch and act something like a radiator. Also, each worker will have ready access to advanced computer and telecommunications facilities.

The floor itself is one giant services duct. Originally developed by Arup, it comprises modular tiles that can be popped up and swapped with other tiles so that electrical and ventilation outlets are where the person wants to be, not the other way around. In typical offices, says Mr Barker, "every position is moved once in five years. It is a perennial problem."

Many office buildings have concrete slab floors, and to shift such services as computer and telephone cabling involves drilling through them. With the advent of information technology, this has become a real problem in commercial buildings erected as recently as the 1960s. "Lloyd's is moving into information technology a lot faster than they thought they would," says Mr Barker, and it wanted to retain maximum flexibility for rearranging space.

Individual members, at their discretion, will be able to install computers and modems at their work stations. Staff also will have control over their individual heating and cooling needs: on the underwriting floor air will be funnelled through the furniture — specially designed underwriting "boxes" equipped with fan and lighting controls.

Mr Barker says the Arup floor system has been in development for 10 years, and has been used so far in four other buildings. It is new, but not revolutionary. "The Romans used to bring things up from the floor," he notes.

All lighting is in the ceiling—there is no task lighting—and each lamp is equipped with its own electronic code. This is stored in a semiconductor chip at the lamp, and allows each to be controlled remotely from a central computer. Each employee will also have a button on his desk to control his own light. If office spaces are rearranged, the lighting can be modified by changing the codes, rather than by expensive rewiring.

All these gadgets are expensive, of course, and are unlikely to be widely adapted for more standardised buildings. Does that matter? "Why does every building have to be in the mainstream?" argues Mr Haryott. "When we look at what interests us in the past, it is the cathedrals, the public buildings . . . . that cost a lot more in their time than ordinary buildings." Mr Barker has a simpler answer: "*It is expensive, but it is architecture.*"

Girobank in fight to close automation gap

The Post Office, once a leader in electronic banking, is now trying to catch up, reports Ian Hamilton Fazey

NATIONAL Girobank, struggling to cope with 20 per cent-a-year growth, is to bring in technology that its developer, the software house CAP, believes could change the face of banking in Britain.

Although there is nothing new in the Tandem and ICL hardware involved, the way it is being used will transform Giro's operations.

A national electronic network is being created that will eventually involve 1,900 customer account clerks, each equipped with a terminal. They will be able to use the network for sending messages and electronic mail, as well as real time instantaneous communication with the accounts database, so speeding up transactions dramatically.

The network will also increase Girobank's competitiveness, allowing it to expand its narrow range of financial services. *Negotiated overdraft limits* — at present Giro customers can have only small "convenience" overdrafts—will be among the first offerings, probably within two years.

This will open up the small- and medium-sized business account market to Giro. Special banking packages for selected groups such as solicitors or newsagents are planned.

Mortgages, savings schemes, deposit and loan services are expected to follow, allowing Giro to compete directly with the big four clearing banks in virtually all sectors.

At the same time, the system is being designed with an eye on the future and will be expected to cope with cashless shopping.

This is particularly important for Girobank, which already handles about 30 per cent of the UK's retail takings. Corporate customers include Marks and Spencer, W. H. Smith, Safeway, Woolworth and J. Sainsbury.

Girobank's systems director, Mr Michael Hind, sees other possibilities for financial service in the retail sector. "Why shouldn't Marks and Spencer arrange to have its charge card accepted in any store?" he says.

All these developments are rather ironic, for Giro in recent years has been behind the times, rather than ahead of them, though when it began in 1969, its technology was "state of the art," with a centralised, tape-based, data processing system.

But since this works off-line without direct communications with the computer and with information having to be updated in batches, it requires centralised manpower and consumes time — often two days for handling even simple transactions. Worse, from an efficiency point of view, it relies on paper, with clerks filling in forms and sending them to headquarters in Bootle, Merseyside, by post.

The disadvantages of the *1960s* system were revealed as the more conventional banks developed disk-based computer systems in their branches which gave faster access to everything.

Nevertheless, growth and profits have mounted steadily since the mid-1970s, and certainly fast enough to enable Giro to fund technological development out of revenue. Nearly £7m has been spent so far, with more than £1m going to CAP for systems development.

Mr Hind says: "We have 1.8m personal customers. We are about fifth or sixth in the the size league. We are never quite sure because we are growing at 20 per cent compound per year."

This scale of growth also made it imperative to attempt a technological leapfrog towards the year 2000. If Giro had tried to carry on with its tape-based, centralised batch system it would never have coped, requiring more and more clerks to handle the paperwork.

As it is, 60 fewer staff will be needed in the 240-strong Bootle computer centre, but no compulsory redundancies are planned.

Giro's management is determined, however. "We anticipate that our new systems will help us move to the forefront of British banks in personal and retail banking. It will move us from being a step behind to at least being up with the leaders.

"We must be ready to compete with the Trustee Savings Bank and the building societies."

Attack on Legion disease

DEVELOPING SUBSTANCES which destroy the bacteria which cause Legionnaires' disease has become a growth industry in its own right.

Laporte Industries of Widnes, Cheshire, has been testing a peroxygen biocide called "Proxitane 1507" which kills Legionella bacteria in minutes.

The bacteria are known to multiply under certain conditions in water cooling systems and to cause an influenza-like condition which can be fatal.

Proxitane kills the bacteria and also destroys the slime layers which can be their breeding ground, Laporte claims, by oxidising the sludge and controlling algae before breaking down to non-toxic residual matter.

It does not therefore add to water pollution.

Satellite transistor

GALLIUM arsenide is continuing to fulfil its potential as the semiconductor of choice for high speed processing.

This week, Fujitsu of Japan announced it had developed a gallium arsenide transistor suitable for satellite communications.

Fujitsu's device is a field effect transistor (FET) able to amplify high frequency radio waves. Installed in satellite transponders used to relay radio signals between earth stations and satellites, it will improve the quality of communications through space.

It makes possible the development of more compact lightweight transponders, replacing the vacuum tubes presently used.

The new transistors can produce more than three watts of output and will last up to 1,000 years. *Vacuum tubes produce 10-15 watts and* last for 10 years.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
5	6	7	8	9	10	11

Music

LONDON

London Symphony Orchestra conducted by Gennadi Rozhdestvensky with Oscar Shumsky, violin and Janos Starker, cello. Shostakovich, Brahms und Vaughan Williams. Barbican Hall (Mon). (638 8891).

ITALY

Rome: Teatro *Ghione (via delle Fornaci 37)*: piano recital by Ian Hobson (winner of the 1981 Leeds competition). Mozart, Chopin-Godowsky and Liszt (Tue). (63 72 294).

NETHERLANDS

Rotterdam, De Doelen. Mario Venzago conducting the Youth Orchestra of European Countries, with Stefan Muhmenthaler, violin. Schumann, Hunfeld, Mendelssohn, Debussy, Liszt (Wed). (14 29 11).

VIENNA

Vienna Symphony Orchestra, conducted by Jean Fournet. Handel, Mozart and Ravel (Mon). Arkadenhof or Musikverein in case of rain.

NEW YORK

Mostly Mozart Festival (Avery Fisher): Opening all-Mozart programme by Mozart Festival Orchestra conducted by Gerard Schwarz with Elly Ameling, soprano, and Horacio Gutierrez, pianist (Mon, Wed): Kalich*stein-Laredo-Robinson Trio with* Elly Ameling, soprano, Harold Wright, clarinetist, Kim Kashkashian, viola; Mozart, Handel, Mendelssohn, Schubert (Tue); Viva Vivaldi programme of Vivaldi concertos conducted by Alexander Schneider with Christopher Parkening, guitarist and Mozart Festival Orchestra players (Thur). Lincoln Center (874 2424).

HOLLYWOOD

Hollywood Bowl: Los Angeles Philharmonic conducted by Leonard Slatkin with Andre Watts, piano. Schumann, Saint-Saens and Dvorak (Tue); with Yefim Bronfman, piano. Glinka, Rachmaninov and Prokofief (Thur). Kiri Te Kanawa accompanied by Martin Katz (Wed). (213) 850 2000.

CHICAGO

Ravinia Festival (Highland Park): National Symphony Orchestra conducted by Leonard Bernstein plays Sousa marches, American music and Bernstein: Songfest with Clamma Dale, soprano, Gweneth Bean, contralto, Lucille Beer, mezzo-soprano, Charles Walker, tenor, Kurt Ollman, baritone, Chester Ludgin, bass, and Alexander Bernstein and Nina Bernstein, narrators (Mon); Tatiana Troyanos, mezzo-soprano recital, with James Levine: Mozart, Schumann, Handel, Rachmaninoff, Ravel, Rossini (Tue); Preservation Hall Jazz Band (Wed): Toshiko Akiyoshi Jazz Orchestra with Lew Tabackin (Thur). Highland Park (728 4642)

Summer music in France

Aix-en-Provence (July 10-31): English Baroque Soloists, Ensemble Instrumental de la Chapelle Royale, Ghent's Vocal Collegium, Lyons Opera Orchestra, Purcell, Bach, Mozart (42) 23 11 20.

Albi (July 21-Aug 4): Summer headquarters of the Ensemble Orchestral de Paris and its director Jean-Pierre Wallez, with the *addition of Sylvio Gualda's* percussion and a guitar evening with Ale Ander Lagoya. (63) 54 26 64.

Avignon (July 6-31): A dozen concerts to celebrate the Year of India and an organ cycle built around Bach. (90) 82 65 11.

Comminges (July 18-Aug 23): A magnificent 16th century organ attracts l'Orchestre du Capitole de Toulouse conducted by Michel Plasson, with Gabriel Tacchino, soloist, followed by Jean-Pierre Wallez, violin, and Aldo Ciccolini, piano. Organ recitals and Toulouse Quartet. (61) 88 32 00.

Montpellier (July 6-Aug 4): Celebrates its 1,000th anniversary with a Radio France Inter*national festival, Darmstadt's* Konzertchor with Rostropovitch, Lyons Orchestra conducted by Serge Baudo, Radio France Nouvel Orchestre Philharmoniqua and Radio France Choir performing Liszt recitals by Leyla Genzeler, soprano, and Alfred Brendel, piano. (67) 66 00 92.

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods to*wards rock, country and hot gospel.* No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Brit*ain's biggest war-time musical hit* with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7811).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production *has arrived in the West End, if any*thing improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

Opera and Ballet

PARIS

Le Barbier de Seville, conducted by Hans Graf. Almaviva sung by Dano Raffanti/Noel Velsaco, Rosine by Suzanne Mentzer, Figaro by Patrick Raftery and Basilio by Ruggiero Raimondi. Opéra Comique (296 0611)

Robert le Diable alternates with Soirée de Ballets and with Tosca. Conducted by James Conlon with Raina Kabaivanska in the title role and Giacomo Aragall in that of Cavaradossi. Paris Opéra (266 5022).

WEST GERMANY

Hamburg, Staatsoper: This year's Hamburg Ballet Day runs to July 14 and starts with a German premiere, choreographed by John Neumeier, to music by Mozart. Also Onegin with Marcia Haydee and Die Kameliendame, Proust ou les Intermittences du Coeur danced by the Ballet National de Marseille with Roland Petit. (35 11 51).

Frankfurt Oper: Michael Gielen conducts Der Rosenkavalier featuring Heleon Doese and Gail Gilmore. La Bohème, sung in Italian, has Ilona Tokody and Peter Kelen in the main parts. Aida is steered to triumph by Gail Gilmore as Amneris. Further performances are Der Zigeunerbaron and *Der Freischutz. The latter* has Walter Raffeiner as Max. (25 621).

Munich Bayerische Staatsoper: Munich's annual opera festival runs until July 31. The first week opens with a new production of Alban Berg's Lulu with a complete third act, produced by Jean-Pierre Ponnelle. Catherine Malfitano, Brigitte Fassbaender and Georg Paskuda appears in the main roles. The festival's highlight is Der Rosenkavalier, produced by Otto Schenk. Mezzo-soprano Brigitte Fassbaender sings Octavian, beside Lucia Popp and Helen Donath. Other productions are Arabella with Lucia Popp and Bernd Weikl, and The Magic Flute, an August Everding production. The revival brings together Edith Mathis, Peter Schreier and Kurt Moll. One evening is reserved for Offenbach's ballet Papillon choreographed by Ronald Hynd, which is based on the original version by the Paris Opera in 1860. (21 851).

ITALY

Milan: Teatro Alla Scala: Andrea Chenier by Umberto Giordano conducted by Riccardo Chailly and produced by Lamberto Puggelli. In the cast are Rosa Laghezza, Silvana Mazzieri and Jose Carreras. Also Don Pasquale by Donizetti, conducted by Roberto Abbado in Antonello Madai Diaz's production. Scenery by Giorgio Cristini and costumes by Gianni Versace, with Luciana Serra, Pietro Ballom, Sesto Pruscantini and Regolo Romani (80 91 26).

Rome: Terme di Caracalla (Rome Opera Summer Season): A new production of Don Chisciotte by Marius Petipa to music by Ludwig Minkus danced by Margherita Parrilla, Salvatore Capozzi and Piero Martelletta, conducted by Alberto Ventura. (46 17 55/46 36 41).

Spoleto: Teatro Nuovo: Fanciulla del West produced by Bruce Beresford with costumes and scenery by Ken Adam. In the cast Anne-Marie Antoine (Minnie) – here played as a lady of easy virtue. The Barber of Seville by Giovanni Paisiello (predating Rossini's version by 30 years) directed by Maurizio Scaparro and conducted by Marcello Viotti, with Roberto Coviello (Figaro).

SPAIN

Madrid: Teatro de la Zarzuela. An all-too-rare appearance in his own country of tenor Placido Domingo in Otello, conducted by Luis Antonio Garcia Navarro, artistic director Piero Faggioni. (221 6510).

Granada: Generalife Gardens. The Ballet Der Deutschen Oper am Rhein directed by Paolo Bortoluzzi. Programme includes Balanchine's choreography to Bach and Homage to Tommaso Albinoni to Erich Walter's choreography. The cast includes Laurel Benedict, Valerie Ghiglione, Monique Janotta, and Claudia Jung. (22 52 01).

NEW YORK

New York City Opera (NY State): The 41st season includes four new productions Norma, The Love for Three Oranges, Kismet and Casanova – in the 20-week repertory that opens this week with The Student Prince and La Rondine. Lincoln Center (870 5580).

Grand Kabuki (Metropolitan Opera House): A mixed programme of Japanese *Theatre and dance takes* up a fortnight's residence in Lincoln Center. (362 6000).

New York City Ballet (Saratoga): A week of A Midsummer Night's Dream is followed by mixed programmes including Afternoon of a Faun and La Valsa as the company takes up a three week residence. Saratoga Springs, NY (518 587 3330).

Exhibitions

LONDON

The Tate Gallery: Francis Bacon, Britain's greatest living painter accorded the rare distinction at the age of 76 of a second full retrospective exhibition at the Tate, 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figurative, surrealist expressionist, but as an artist who has come at last into his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented re-invention and reconstitution of the figure no longer shocks. Ends Aug 10.

PARIS

Renoir: An important exhibition of the most sensuous of the impressionist painters, who never tired of glorifying the nude feminine body capturing the light, comes to Paris from the Hayward Gallery, London. It consists of some 125 paintings and 50 Drawings, including Le Bal du Moulin de la Galette and La Danse à Bougival, Grand Palais, Closed Tue. Ends Sept 2 (261 5410)

Corot to Picasso. The range of French 19th and 20th century masters assembled by the art merchant Robert Schmit comprises an important Degas pastel La Conversation and a Van Gogh, unusual both for technique and the theme of the Seine. On the first floor the sunshine comes in with Vuillard, Bonnard and Dufy. Picasso's Large Buste d'Homme faces an equally large Braque still life. There is a dream-like Balthus landscape and a strong blue, red and white one by De Staël. Galerie Schmit, 396 rue Saint-Honoré (260 36 36), closed Sun and from 12am–2pm. Ends July 20.

Robert and Sonia Delaunay: for the 100th anniversary of their births, his in Paris and hers in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint pictorial adventure. Whether exploring abstract painting or disarticulating Eiffel Tower images, their colours are vibrant, their *joie de vivre* explosive. Musée d'Art Moderne, 11 ave *du Président Wilson.* Closed Mon, Wed late closing. Ends Sept 8.

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 15.

WEST GERMANY

Munich, Staatsgalerie moderner Kunst, Prinzregentenstr. 1: German Art since 1960, 200 paintings, prints and drawings by 13 artists from the private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Emden, Ackhuysen-Gesellschaft, Rathaus am Delft: To honour the late Franz Radziwill on the 90th anniversary of his birth. Ends July 28.

Bonn: Rheinisches Landesmuseum, Colmantstr. 14 5300. Fairy-tales, Myths, and Monsters. 43 works by 22 European artists, among them Messager, Paladino, Schmalix, Tatafiore and Wawrin. Ends July 28.

BRUSSELS

Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objets d'art from the Belle Epoque to Art Nouveau including works by Wouters, Gallé and Daum. Also on show *are a collection of illustrated me*nu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends July 20.

Tony Cragg – a major exhibition of one of Britain's contemporary sculptors. Palais des Beaux Arts. Ends July 28.

ITALY

Venice, Palazzo Fortuny: Toys for the science-fiction era, showing how vastly more sophisticated robots have become, since first produced in the 1950s. Ends Jul 14.

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and *shows the results* of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

SPAIN

Madrid: Palacio de Cristal and Palacio Velazquez, Parque del Retiro: Spanish sculpture 1900-36. Sculpture and drawings by Picasso, Miro and contemporaries. The selection includes two works featured in the 1937 Paris exhibition, at the height of the Spanish Civil War, and now shown in Spain for the first time: Picasso's Femme du Vas and Julio Gonzalez's La Montserrat. Ends July 30. (274 7775).

Madrid, Museo del Prado: Raphael in Spain. An exhibition to commemorate the 500th anniversary of the renaissance master's birth, including his masterpiece The Cardinal and others highlighting his influence on Spanish artists. Closed Mon. Ends July 15.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/2 39 78).

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notebly Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Revivals and Explorations in European decorative arts. Ends Sept 3.

WASHINGTON

National Gallery. Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

National Gallery (West Bldg): 36 old master paintings from the Dulwich Picture Gallery are exhibited under the title Collection for a King, including works by Rembrandt, Van Dyck, Canaletto and Gainsborough. Ends Sept 2.

CHICAGO

Art Institute: Though Edouard Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total output of 75 etchings. Ends Sept 2.

THE ARTS

Cinema/Nigel Andrews

Culture clash in rural England

The Assam Garden directed by Mary McMurray
The Little Drummer Girl directed by George Roy Hill
A Taste of Water directed by Orlow Seunke

The motto for British cinema in the 1980s has been, "If it is Indian, shoot it." After *Gandhi* and *A Passage To India*, *The Assam Garden* is a piece of homegrown India showing that the mysteries of the East can be purveyed no less eloquently in cloudy Britain than in the searing sub-continent. And for a mere £750,000, to boot, rather than £20-odd million.

Elisabeth Bond's tangy original screenplay lets cultures clash in south-west England. Freshly widowed Deborah Kerr tries to restore a flutter to her wounded heart by tending the "Assam Gardan" left behind by her ex-colonial hubby: a wilderness of improbable tropic growths gazing up at the English sun. And she strikes up an equally tangled friendship with council estate immigrant Madhur Jaffrey. Jaffrey, a sweet and sari'd greyhead, keeps pottering into Kerr's demesene, bringing rice and gifts and ignoring the lady of the manor's brusqueness, until a friendship starts to flow amid the palms and bamboo.

Diane Keaton . . . totally unsuitable

Kerr wants Jaffrey's company because the Indian can help get the garden straight in time for the nice from "Great British Gardens" (Alec McCowen) and the chance he brings of horticultural immortality. Jaffrey, pining fo rher homeland, cultivates Kerr so she will intercede with her Anglophile husband (Zia Mohyeddin) and persuade him to return with her and family to India.

Bond's script neatly fluffs out these characters and their tangled search for old roots and new. Kerr is a cranky, wistful memahib, whose Indian memories prompt her to treat all dark-skinned persons as life's bearers and servants ("Help me in the garden!" or "The tea's in the caddy!" she snaps). Jaffrey is a beautiful exotic growth, as ill-transplanted to England as the ailing banana trees that bear no bananas.

Less successful are the movie's visuals, where the production wears its shoestring on its sleeve: an unhappy sartorial effect. The exterior photography is muggy and moodless, there are too many TV-style talking-head scenes, and the garden itself never seems as magical in reality as in the scheme of the movie's myth. A stronger styliatic lead from director Mary McMurray could have turned the film from a wee, charming fable of home and exile into a much more vivid *pas de deux* of textures and temperaments, colours and creeds.

*

"Ziss is a revolutionary movement!" hisses blonde terrorist Helga in *The Little Drummer* Girl, in case we are confused over what kind of movement ziss is in which Diane Keaton gets caught up in the film version of John Le Carre's latest novel.

This is one of those movies in which there are 33½ revolutionary movements per minute. Condensing Le Carré's long, serpentine story of terrorists and counter-terrorists into a mad two-hour scuttle through Mid-East coups and conspiracies, it starts with modest implausibility—Keaton as an expatriate American actress playing Saint Joan (badly) in a provincial British rep—and then hightails into ever glibber outrages on our credulity.

Le Carré's novel, you recall, posited a radical young British actress (a sort of Vanessa de la Tour) leaping head-first into the service of Israeli espionage after being deceived (at first) into thinking she's helping the Palestinians. But the Israelis manipulate her sympathies so shrewdly that she's soon their tame Judas goat, leading the PLO to the slaughter.

Le Carré kept cloak-and-dagger silliness at bay by shrewd characterisation and by strewing the book with political argument and counter-argument. He gave the Palestinians at least as big a voice, perhaps bigger, than the Israelis. But director George Roy Hill (of *The Sting* aod *The World According to Garp*) flings all this debating stuff out of the window, hungs in a top female star totally unsuited in both age and nationality, and casts Klaus Kinski, a favourite screen Nazi, as top Israeli. (Hollywood never goes bonkers by halves.) He also leaps from climax to climax with nary a pause or plateau in between.

Far from condensing the book's action and suspense ingredients, this approach totally destroys them. The action scenes (bombings, kidnappings, murders) rear up with such unprepared suddenness that they are over before we realise they have begun. And the intended moments of suspense, which depend on at least a token involvement with the characters, are vitiated by our believing in few of them and caring about none of them.

*

Orlow Seunke's *A Taste of Water* proves the pleasant surprise of the week. After *Birdy*, which conked us on the nose with the old R. D. Laing chestnut about the mad being saner than the sane, here is a teasing tragicomedy from Holland about the sane being madder than the mad.

A bearish, dishevelled social worker (Gerald Toolen) goes about doing good works and preaching the need not to get involved with clients. "It makes them dependent on us," he warns his young apprentice. But scarcely are the words uttered than he falls into a round-the-clock obsession with the case of a slum dwelling wild child (Dorijn Curvers) orphaned by suicided parents. The girl is covered in filth, sleeps in a cupboard, and walks on all fours. Thoolen sets out to coax her into civility with bowls of milk (she smashes them), spoonfuls of spinach (she spits them out), a box of paints (she paints herself) and other lessons in love, care and communications.

Meanwhile, he has left his wife for the lure of this one-man *Miracle Worker* project; he plays hookey from the daily surgeries in his office; he incurs the wrath of the girl's neighbours (who wrongly think he is up to hanky-panky); and he combats the horror of overflowing sinks, tantrums, filth, matted hair.

All human life is here. And all human lice: as squalor and derangement set out to be cured by a man increasingly more squalid and deranged himself. Seunke's film needs a little more humour than it gets, as it glooms away with terse dialogne and sandblasted visuals (always the legacy of blown-up 16 mm). But it does have ferocity, a cutting edge, and two superb performances.

*

Some cutting edges are better blunted or sheathed: notably those of movie or TV censors. I can vouch, having seen it, that last week's banned Channel 4 *Visions* programme about Brazilian cinema, whisked from your screens at the last minute by the IBA, was a sensible, scholarly attempt to show how young Brazilian directors have tried to weave political allegory into *popular erotic movies*. (Explicit political films are banned in the country.)

Visually, the film showed nothing that anyone could blush or blench at, unless he or she has not turned on a television in the past 10 years. And aurally, unless you are easily inflamed by Portuguese dialogue with discreet English subtitles, it was even less offensive. Could it possibly be that the message itself—that an imaginative director can smuggle layers of satiric or "subversive" meaning into a popular form—worried these guardians of our own ever more trepidatious popular culture?

Premieres for Sadler's Wells

Two regular visiting companies return to Sadler's Wells this autumn, and American choreographer David Gordon will make his debut there.

Sadler's Wells Royal Ballet will present the world premieres of two works by Derek Deane and Michael Corder—during its two-week season from September 24 and David Bintley's new ballet, *Flowers of the Forest*, will receive its London premiere.

Other ballets in the programmes include Bintley's *Meadow of Proverbs* and *Metamorphosis*, Jennifer Jackson's *Median*, John Cranko's *The Lady and the Fool* and *Card Game*, and Peter Wright's production of *Giselle*.

David Gordon and his Pick-Up Company from New York will put on four performances from October 9-12.

Dreamplay/The Pit, Barbican

Michael Coveney

Strindberg's *Dreamplay* is given its first London showing since Ingmar Bergman's chamber production came to the World Theatre Season in 1971. This cunning and fluent new version by John Barton and Inga Stina-Ewbank for the RSC forges a narrative coherence from the phantasmagoric elements, an approach that pays off with only partial sacrifice of the play's hallucinatory characteristics. No sign of ruined fortresses or scorched mountains, or as the castle burns, "the bud on the roof bursting into a giant chrysanthemum."

Instead, the production, directed by Mr Barton, 30 odd characters telescoped and shared among 10 actors, makes our imaginations work from the moment Indra's daughter falls to earth to discover what it is like to be human. Acknowledging the Christ-like aspect of the character, the daughter is doubled by Penny Downie with *Agnes* (a not uncommon procedure). But whereas the dream of the author is usually perpetrated in various stage surrogates, the god's daughter on earth here becomes the dreamer herself and reaches her conclusions on human misery through experience.

The show unravels almost like a fairytale, underpinned with the seductive lilting music of Martin Best derived from a succession of Wagnerian motifs. Agnes, in fact, opens a book from which a pop-up growing castle jumps. Her farewell to human life veers a little dangerously towards a tone of *Jackanory*, but this pitfall in the presentational mode is on the whole successfully avoided. The main point is that Agnes discovers the misery of Strindbergian life first by witnessing it—the mother's lament and the grumbling coal-heavers are particularly good—and then by marrying the lawyer.

In Strindberg, Agnes listens to the lawyer's tale of cabbages and nappies. Here *she* herself is the wife, and a furious row, straight out of *The Dance of Death*, is enacted while the maid blocks out the light with her incessant pasting of the windows. She escapes joyously to the desert and Fingal's Cave with the poet (Simon Templeman) and endures derision and physical violence at the hands of the red-robed faculty representatives before revealing the riddle of existence to be caused by the seduction of God (or Brahma, or Odin) by Maja, sometimes called Earth Mother.

The Buddhist and occultist in the play is thus relegated to the Christian and generally mythical, and it is no mean achievement of Penny Downie as Agnes to combine sacrificial other-worldliness with a rushing and very real vitality. Solving the riddle, she lies provocatively, strangely, on the floor, a creature of light and air who is nonetheless susceptible to gravity.

The lawyer of George Raistrick and the officer of Roger Allam accompany her throughout; the former is denied an honorary degree and turns up as the barman at Fairhaven, while the latter grows visibly older at the stage door waiting for his Victoria before returning, like Proust's Marcel, to his aromatic childhood and whisking off *Agnes* to the land of bunting, revelry and happiness.

Fairhaven is an illusion invaded by the quarantine officer and a couple of spoilsports in Dutch caps (Louise Belson's costumes are cleverly fantasitc). The design of Christopher Morley uses a traverse curtain to reveal the clover leaf door which protects the riddle and the seasonal changes are delicately wrought, even if the falling coloured petals err on the side of *Jockonory*.

The play is an intriguing one, although you would be brave to label it a masterpiece. Rather, like Swedenborg's visions or Munch's paintings, it is a fascinating instance of Expressionist art, subjective and fragmentary and offered here as a worthwhile companion piece to Mr Barton's own magical version of Calderon's *Life's A Dream*, an obvious dramatic antecedent.

Seven Brides/Old Vic

B. A. Young

I defy anyone—except perhaps a raging feminist—not to enjoy *Seven Brides for Seven Brothers* a happy, simple musical. The story of the seven Oregon farmboys, girl-starved if not sex-starved, who raid the nearest town to find themselves some wives, is as inoffensive as a folk song, and as pretty.

All seven do not use the same method. Adam goes to the local eating house and proposes to Milly, the cook, whom he has never seen before. "I'll have to finish my chores first," she says, but goes with him when she has. What she did not count on was finding six brothers sleeping in the house, all of whom have to be fed and kept in clean clothes. Keen to get some help with the housework, she instructs the boys how to go about *getting* girls for themselves, but the girls are all bespoke by the city boys.

Luckily, Milly's childhood reading has included not only the Bible but Plutarch's lives, so it is no time before the six bachelors decide to emulate the Romans in their famous rape of the Sabine women, or sobbin' women as they understand it. Six varied snatches bring the prey to the farm, but two factors blur the happy picture. First, there is an avalanche in the pass, so the girls can't go back until spring; and second, Adam decides that Milly is taking too much authority on herself, and leaves.

It all gets sorted out when he regretfully orders the girls to be returned in the spring. It is a sad caravan, for the girls have fallen for the boys and would rather stay, and what is more, there is a party of city boys waiting with guns. A delightful chase dance ends with all parties in the city square at a mass shotgun-wedding.

The tunes by Gene de Paul and the lyrics by Johnny Mercer are naive but adequate. The singing, on the other hand, and the dancing, are outstanding. Adam is played by Steve Devereaux, who is tall and good-looking with an admirable baritone voice; and Milly is played by Roni Page, barely as high as Mr Devereaux's shoulder, with a soprano voice of real quality. (*I was unfortunately sitting under one of the loudspeakers that musicals find necessary everywhere except sometimes in Exeter, and the voices were a trifle distorted.*)

The dances devised by Stephanie Carter are, frankly, terrific. She seems to have an entire company of ballet-dancers-cum-acrobats, and they are given patterns to follow that are lovely to look at and often *funny as* well. They have a good 13-piece band in the pit, too.

The production under Michael Winter is, I am told, virtually unchanged since it was first seen at the Theatre Royal, York. There is no call for glamour in the sets or costumes; but Hugh Durrant has dressed them all so that, while they may look unromantic when they are standing still, they look very different when they are flinging their arms and legs about. Bill Pinner's sets have a deliberately DIY timber-plank look that suits the story and its setting.

I Vespri Siciliani/Geneva

Andrew Clark

This was very nearly the most inept and gratuitous piece of operatic "interpretation" I have seen. We have come to recognise that the updating process can, in selective instances, add an alternative viewpoint and broaden our appreciation of an opera. But there has to be a reasonable parallel—of situation, emotion and character—for the updating to ring true. Elijah Moshinsky's attempt to find an echo of the *risorgimento* in *I Vespri Siciliani* at Geneva's Grand Théâtre does not satisfy these criteria.

The chief problem is that there was no massacre in the early 19th century equivalent to the evants of 1282 at Palermo, which makes the dramatic climax of the opera hard to square with Moshinsky's conception. Nor can he turn to any parallel which Verdi, the patriot, might have drawn, consciously or not, with *risorgimento* sentiment; for we know from his letters that the composer was as *embarrassed* at the depiction of his countrymen as mass murderers as he was at the way France, his host country in 1855, was portrayed in such unattractive colours.

Sensing trouble here, Moshinsky handles the final scene as a good old murderous operatic set-to—but painted in the style of Delacroix, a magnificent canvas combining Timothy O'Brien's graceful stage sets and Nick Chelton's silhouette lighting. We are to look upon this, says the producer in a programme note, as a mere chapter-ending in a longer story, signifying the "revolution that has not yet taken place."

Mention of the word "revolution" leads ominously to the other main point Moshinsky is keen to bring out in this opera: the element of class struggle The chorus to which Elena her Act I appeal represents the down-trodden masses, herded into two pens on either side of the stage: it is to be a *people's* revolution! Procida is a Bakunin figure attired, like all good leftist intellectual revolutionaries, in leather coat, spectacles, cigarette and cropped hair.

But Bakunin looks as odd among early 19th century Sicilians and Spanish Bourbons as he would in any Verdian landscape; and the Vespers succeeded not in dividing but in uniting all sectors of Sicilian society.

The rest of the production fared little better.

The orchestral playing under Donato Renzetti was no more than correct, the chorus entries uncertain. Olivia Stapp soared elegantly and displayed a rich chest register, but failed to set the soprano part alight. Lorenzo Saccomani's Montforte was ordinariness personified. Robert Lloyd worked hard to bring Procida to life in his unusual guise, and sang the big bass aria with his renowned clarity of tone and diction.

The only really distinctive performance came from the tenor, Giuliano Cianella, whose impassioned Arrigo always attracted the eye and, for all the shortcomings of his technique, gave pleasure to the ear.

Bruce Springsteen/Wembley

Antony Thorncroft

On a golden evening, before 80,000 delirious fans at Wembley Stadium, Bruce Springsteen came close last night to fulfilling the American Dream. Almost single-handed, he keeps the torch burning for good old rock 'n' roll.

In fading blue jeans and an off-white sweat shirt; with the face of a retired boxer and the body of a successful truck driver, he sings of the road and romance, of small town America and the triumph of the little man. He has lived well off the music but stays close to the hopes of his audience.

And yet there are signs of incipient show business creeping in. There is more chat, philosophical ruminations, about his roots, and that cheap sincerity which is so endearingly America. He now plays the piano with his nose and toes; marshals his E-Street band in line, instruments cocked to advance on the audience; he lies on the stage and waggles his legs in the air; he even dances with his wife!

It is great fun but almost contrived fun rather than the sweaty endeavour of years gone by. When he slides across the stage on his knees to kiss Clarence, his black sax player, is it joi de vivre or a spot of business?

And does it matter? Bruce Springsteen can still ignite an audience. His music, from the reflective "Glory Days" to the exhilarating "Born To Run" is tireless rock, the sound of the streets; his voice is honed on burgers and Budweisers; his image is that of the local boy who made it good but stays in touch. He stresses his charm when soln at the end, as he performs his favourite Elvis song the banal, "Fools Rush In," but even then Springsteen's presence is massive. He dwarfs Wembley—almost.

What sums it up is that you half watch the man on the stage. For the most part you see his magnified image on an adjacent screen. Bruce Springsteen is in danger of playing at one remove from his audience—a disagreeable prospect.

Call Me Miss Birdseye/Donmar Warehouse

Martin Hoyle

After a couple of millennia when the dust has settled and the shattered fragments of our civilisation are pieced together in archaelogoy or folklore, songs like "I got rhythm," "I get a kick out of you" and "Anything goes" will rank as memorials to the irrepressible humanity of Western theatre along with Euripides and Shakespeare and Ibsen.

"Sarah Bernhardt Jr," as one admiring producer called her, is remembered in the current late-night show at Covent Garden's Donmar Warehouse. She was, of course, Ethel Merman. She launched those songs besides creating the leads in *Annie Get Your Gun*, *Call Me Madam* and *Gypsy*. She had a foghorn voice, a salty vocabulary and breath control that amazed opera-singers. Toscanini compared her with an instrument in the orchestra. She approved: "I sing honest. Loud but honest."

Any imitation of this natural phenomenon is bound to sound lacking on both counts. Libby Morris can belt out a chesty middle register but her high notes are too soft-grained: in its prime Merman's voice had a brown Jolson-like resin from trumpet top to brazen bottom. To compensate, Miss Morris has a sensitive way with the gentler numbers. One of the show's pleasures is the rediscovery of the love-lorn Cole Porter's elegiac world-weariness in such songs as "Down in the depths on the 90th floor" (*Red, Hot and Blue*) and "Make it another old-fashioned, please" (*Panama Hattie*).

The songs are shared with David Kernan; the narration is written and spoken by Jack Tinker, theatre critic of The *Daily Mail*, who sports natty little outfits by David Shilling and is mauled by Miss Morris in "A new-fangled tango," thus setting a precedent that other distinguished members of the Critics' Circle may not be eager to emulate.

As a performer, Miss Morris is direct, exuberant and intelligent. She never goes over the top, which makes the intensity she brings to the *Gypsy* excerpts all the more powerful. Towards the end of her career, the former Ethel Zimmermann wondered if she was the last of her kind and whether Porter, Berlin and Gershwin had any successors. Well, Sondheim works on; but she was right about herself. They were giants in those days.

Saleroom/Antony Thorncroft

No buyer for a Strad

Sotheby's had a disappointment yesterday when the major lot in its auction of musical instruments, a violin made in Cremona by Stradivari in 1719 during his Golden Period, failed to find a buyer and was unsold when the bidding petered out at £155,000. Sotheby's was expecting at least £200,000 for this violin, known as the ex-Haupt, after a previous owner, and offered for sale by a professional musician.

This failure accounted for most of the 29 per cent unsold in an auction that totalled £569,580 in the morning session. A violin made by Giovanni Guadagnini in Milan in 1757 was on target at £85,000 to a German private buyer, who also paid £29,700 for a violincello made in Milan in 1723 by Carlo Testore.

The earliest known true upright piano produced in England, made by Hawkins about 1805, was bought by an American for £14,850. Hawkins called his instrument a portable grand. The price was above forecast.

Southeby's Europena works of art auction totalled £205,761 but with 30 per cent unsold, mainly because there was little interest shown in German wood carvings of the 15th and 16th centuries. A white marble figure of a dying warrior by the Swedish sculptor, Sergel, did well at £24,200: it was carved around 1780. A Netherlandish pearwood group of the Virgin and Child, circa 1700, doubled its estimate at £10,450.

There was a pleasant surprise for Sotheby's in its Old Masters drawings sale. A reclining male nude in red chalk heightened with white chalk, by Il Salviati, went to dealer Morton Morris, for £101,200. The estimate was £30,000, but Salviati is now in fashion. The entombment by Luca Penni, formerly attributed to Primaticcio, also did well at £28,600, as against an £8,000 top estimate.

A rare example of a Qur'an written in Eastern kufic on vellum sold for £70,200 at Christie's to Irani, the London dealer. The price was at the lower end of the estimate. The Qur'an comes from Persia or Iraq and is dated to 950 AD. The sale of manuscript and miniatures totalled £356,268 with 29 per cent unsold.

Irani also paid £38,800 for a later (Persian) Qur'an of around 1550, while the dealer Maggs, bought Sir Thomas Metcalf's reminiscences of Delhi in the early 19th century for £23,760. His album, with 138 illustrations, was published in 1844 and dedicated to "My very dear girls." In 1853, when Sir Thomas was British resident at the Mughal Court, he died from some subtle poison.

Two Qajar portraits of about 1803 by Mihr' Ali, depicting previous rulers of Persia, sold for £19,440 each to a collector bidding on the telephone. The portraits were from a lost series recently re-discovered, and one of them depicts Gengghiz Khan.

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Regulation in practice

WHEN the Office of Telecommunications was established a year ago, there was not shortage of sceptics willing to argue that the small, *inexperienced* regulatory body would prove quita incapable of restraining a newly-privatised British Telecom. By comparison with comparable U.S. regulatory bodies, it was argued, Oftel would lack both sanctinns and resources: Professor Bryan Carsberg, the director general, lacks even the power to license new competitors for BT and bas a very modest staff with which to follow up complaints of anti-competitive practicea. If the U.S. regulators bave often been "captured" by the very firms and industries they are supposed to regulate, what chance had *Oftel*?

A year later, it remains difficult to assess Oftel's success or failure. The agency's official line is that reasonable progress is heing made: there are "encouraging signs" of competition *emerging* in *all sectors* of BT's business. Certainly, Prof Carsberg seems to have all the right instincts as a regulator: he is showing no siens as vet of identifying with BT's interests. He remains clear that his overriding responsibility in a bighly-concentrated market is to "promote the interests of consumers of telecommunications services."

Oftel bas not shied from criticising BT: few "captured" agencles, for example, would draw attention *to* the difficulty of investigating alleged abuses of market power because complainants often wish to remain anonymous lest they suffer future discrimination at BT's hands. Moreover, Prof Carsberg *is exercising what* power he has. There seems little danger of Oftel caving in on the key question of the terms on which Mercury, BT's sole competitor in basic transmission services, can plug into BT's national grid. Prof Carsberg says be will not seek a compromise but act in the interests of consumers—if BT dislikes his *decision* it *will have* to challenge it in the courts.

A court challenge would be little more than a delaying tactic and probably would not happen. British courts, unlike their American counterparts, are not empowered to remake the decisions of regulators. BT would bave to show that Prof *Carsberg's* decision was one that no reasonahle man could have reached. This might prove difficult, to say the least.

The more worrying criticism of telecommunications regulation, bowever, is not that Oftel is in danger of being captured hy BT but that it is not worth capturing. In the principal decisions, these critics suggest, Prof Carsberg and Oftel are mere spectators: advice can be proffered but it may not be heeded. On this conspiracy theory, in spite of cosmetic changes, nothing much bas changed: policy is determined by BT, Mr Norman Tebbit, the *Secretary of State for Trade* and Industry and his top officials, and BT's main suppliers.

Mitel decision

Part of the evidence for this view lies in the Mitel decision. BT *seemed genuinely surprised* and hurt by Mr Tebbit's decision to refer its *bid* for 51 per cent of the Canadian PABX manufacturer to the Monopolies and Mergers Commission. The hint which BT was getting lata last year was that, as Britain's informotion technology flagship, foreign acquisitions to strengthen its world market position *would meet with Government* approval.

No such advice would have been forthcoming from Oftel which has doubtless been aware all along of the threat to competition posed by BT's moves into manufacturing. Ministers, by contrast, have been on a slow learning curve: first they were obsessed by the mechanics of privatisation, then *dazzled* by its political success: only recently have they begun to grapple with the dangers of a private-sector monopoly as big and powerful as BT. Having failed to follow the U.S. example and break up BT before sale, the least the Government can do now is to investigate ways of increasing Oftel's *authority*. The key power Oftel lacks is the ability to license new competition for BT; such power shnuld be shifted from the bands of Ministers as soon as possible.

Lessons from the sugar market

THERE IS no mnre depressing spectacle in the *international* commodity business this year than the world sugar market.

Free market prices have been on a steady slide for months and are currently close to an all-time low in real terms. Few *analysts* believe there is any prospect of n significant improvcment for the rest of this decade, and an increasing number are describing the crisis as structural.

Stocks, are at an unprecedented level — equivalent to nearly half the world's annual consumption, according to some estimates. Demand is growing slowly overall, and in some developed countries has fallen quite sharply as a result of dietary concern.

Yet production, bolstered by protective support regimes and bilateral trade deals, continues to defy the laws of economic gravity.

Negotiations on a new International Sugar Agreement, *which might have restored* some order to the market, collapsed amid acrimony between exporting countries last summer.

Since its failed predecessor expired six months ago, the battle among exporters—led by the European Community—to dump their surpluses on the world market has simply become a free-for-all, with those with the smallest funds to subsidise exports bearing the brunt.

Although no one is innocent, a *significant part of the blame* for this situation must fall on the U.S. and the EEC. America has progressively shut off its market *from* imports *in* the last few years, as bigh domestic sugar prices bave encouraged the development of alternative sweeteners, and there seems to be little prospect of opening it up again.

Europe, meanwhile, has dramatically escalated its subsidised exports. The Community's net availahility of sugar for export (after deducting the permitted import quota from African, Caribbean and Pacific countries) rose nearly threefold between 1978 and 1984, and it now has a world market share of 25 per cent.

EEC exports have fallen in the past two years, but the Community still has a large surplus to dispose of, some of which benefits from subsidies totalling up to 85 per cent of its internal sugar price.

This is a classic case of dumping: the Community fixes such a high price for a quota of domestically-consumed sugar that producers can easily afford to export the surplus at marginal prices.

It is also an illustration of *the follies* of *trying to control* production or budget costs by imposing physical quotas instead of using the price discipline. Quotas, and the accompanying bigh prices, have ossified inefficient production structures, and led to an unseemly scramble between member states to maximise their share.

However, there may be an opportunity for *limited* change. The EEC's five-year sugar regime which sets quotas for the amount of sugar which can receive price support and imposes levies on producers theoretically to pay for the disposal and storage of surplus production, expires next year.

Negotiations on a successor are due to start in the next few months. The most sensible course would be to lift production quotas and cut prices. But the European Commission concluded long ago that it would need a price cut of up to a quarter to prevent production expanding without quotas—which would be politically difficult, to put it mildly.

In these less than perfect *circumstances*, tha *only* responsible short-term approach is to press for a swingeine cut in production quotas all round ond an increase in producer levies.

Unfortunately, the European Commission—wary of stirring up the political hornets' nest which started buzzing when it proposed quota cuts last tima round—appears to be planning nothing of the kind. Some producers are actually campaigning to be allowed to produce *substantially more*.

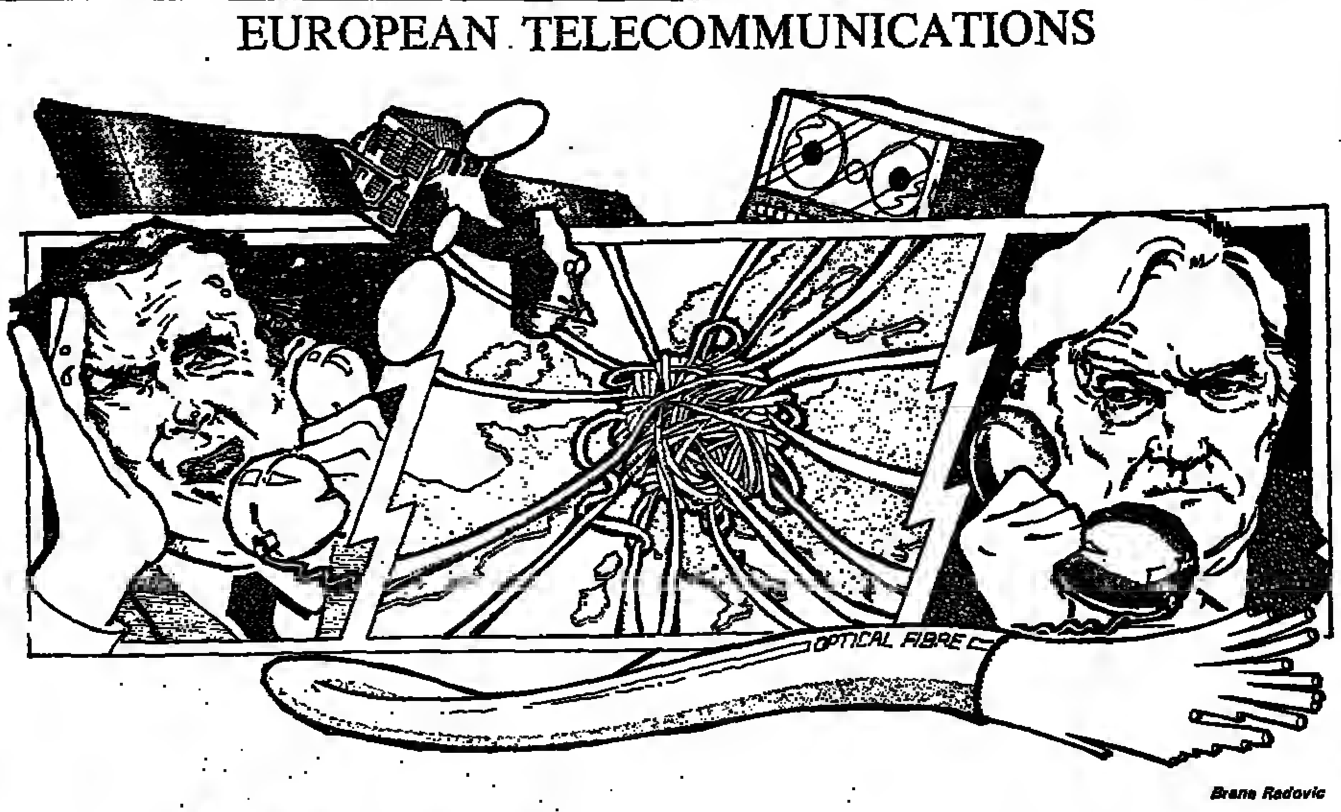
Curiously enough, some senior Commission officials are on record as regarding the sugar regime as a model policy, mainly on the grounds that it is supposed to be "self-financing."

As a recent report by the agricultural analysts Agra-Europe pointed out, this is merely an illusion created by slick accounting. In fact, it suggests, the sugar policy may be costing EEC consumers and taxpayers as much as European Currency Units 2bn a year.

The clever aspect of the sugar policy is that the bulk of this money does not fall on the hard-pressed EEC farm budget, but is dispensed through high *sugar prices which* enable producers to pay a "levy" on surplus production.

The only real beneficiaries are the sugar growers and processors. The idea that this is a policy which could be emulated elsewhere, such *as* in *grain*, ought to fill everyone else with dismay.

EUROPEAN TELECOMMUNICATIONS



Brano Radovic

Crossed lines in an $80bn industry

By Guy de Jonquieres

INLAND trunk calls in *Norway cost* as much as 11 times more per minute than in Denmark; West Germany charges twice as much as the Netherlands for a leased telephone circuit between the two countries, and dialling the U.S. *from Spain is up to three times* more expensive than from Britain.

The latest cellular mobile radiotelephones, already in service in Britain and Scandinavia, cannot be used across borders because *most European* countries have chosen technically different systems. Many models of subscriber apparatus, including even basic telephones, which are legal in some countries are prohibited in others.

Such anomalies pose major constraints for Europe at a time when information flows increasingly from the nervous system of modern business. Few organisations feel the impact more directly than large companies with international operations, which complain that dealing with Europe's bureaucratic jungle of differing rules and *regulations* is a *constant* source of headaches, frustration and expense.

For some services companies, communications is already their second largest expense after staff costs. "Communications is our most sensitive business tool, we literally cannot function without it," says Mr William Rush, a senior vice-president of Prudential-Bache, a leading Wall Street securities house which is seeking to expand in Europe.

In the U.S., deregulation—though it has created many awkward upheavals—has also opened up a vastly wider choice for business users, including the right to by-pass established carriers by building their own networks. Many are seizing the opportunities with both bands, and by doing so are radically re-shaping the American telecommunications industry.

Merrill Lynch, the financial services company, has built an advanced satellite and cable system in New York City; General Motors is using Electronic Data Systems, which it acquired for $2.5bn last year, to link together its 100 computer centres; IBM, the world's largest computer manufacturer, plans to take a stake in long-distance carrier MCI; and the latest fashion in office property is "wired buildings," which come equipped with their own advanced communications facilities.

Such complete freedom is still unthinkable in Europe, even in Britain's recently liberalised market. On the continent, telecommunications remains strictly controlled by powerful state monopolies, known as PTTs, which are often *part of central governments and* are staffed by civil servants.

Some operate on the basis of laws dating back to the last century, when the telephone was still a novelty. Most are insulated from direct commercial pressures and all have until now remained beyond the reach of the common market and EEC competition rules. In *spite of* lengthy discussions between PTTs on common standards, little visible progress has been made.

PTTs insist their monopolies serve the public interest by providing universal services on a national scale. But nutsiders increasingly question whether their institutional structures and rule-book practices are up to the task of managing a rapidly changing industry with explosive growth potential.

Telecommunications services are already one of Europe's *biggest businesses, with traffic* revenues of almost $80bn and investments of more than $20bn this year. But Mr Malcolm Ross of consultants Arthur D. Littla estimates that conservative policies have cost PTTs lost revenues of as much as $20bn a year, while the EEC's per capita spending on telecommunications equipment is barely a third of the U.S. level.

Information services which combine computing and communications, such as on-lina information retrieval, have also grown much more slowly in Europe than in the U.S. The U.S. Commerce Departmeot estimates the valua of the on-line data base business in Europe at $600m in 1982, against $2bn *in* the U.S. Moreover, Europa's bome-grown videotex services such as British Telecom's Prestel are still confined largely to their national markets.

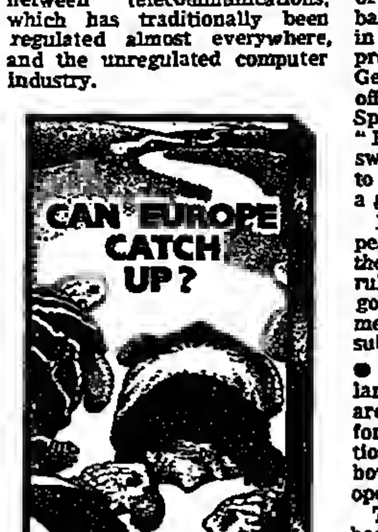
Britain has led the development *of* the newer generation of value added network services (VANS), which provide transactional facilities such as electronic mail, ordering and billing. Since 1981, the UK has allowed competition in VANS and about 600 services are now in operation.

But privately-supplied VANS are illegal in five European countries and tightly controlled in many others. West Germany has only just launched its first electronic mail service for owners of personal computers, operated by the Post Office (Bundespost). Many PTTs appear reluctant to promote electronic mail bard for fear of damaging their revenues from telex.

So far, no other European country has followed the UK's liberalisation of its telecommunications market and the privatisation of British Telecom.

But in all of them, pressures for change are mounting. Among them:

- Rapid technological convergence is blurring the distinction hetween telecommunications, which has traditionally been regulated almost everywhere, and the unregulated computer industry.



- Dramatic falls in the cost of activities such as *long-distance* transmission are challenging many of the economic arguments for "natural monopolies" by lowering barriers to new market entrants. Satellite communications has become much cheaper in the past decade, while the use of optical fibres has cut the cost of laying submarine cables by 75 per cent.
- The spread of deregulation in the U.S., Britain and Japan is spurring international competition. American carriers such as MCI have launched a price war on transatlantic calls, and the U.S. Government has recently approved plans for privately-owned international cable and satellite links.
- Europe's protected telecommunications market are expected to become a prime target of U.S. efforts to remove barriers to international trada in services. "Right now, all the pressure is on Japan," says Mr Geza Feketekuty, a senior official at the office of the U.S. Special Trade Representative. "But in due course it will switch to Europe. It will be up to European governments to get a grip on their PTTs."

Earlier this year, the European Court of Justice opened *the door to possible changes* by ruling that PTTs are legally not government entities but commercial enterprises and hence subject to EEC competition law.

- Business customers, particularly large American companies, are stepping up their demands for new types of telecommunications services and more say in bow these are developed and operated.

These diverse pressures have begun to stir responses. West Germany has *set up a government* committee to examine the Bundespost's monopoly.

The Dutch Government is studying proposals to curb the monopoly of its PTT and to give it more commercial independeoce. In France, the right-wing opposition favours reducing state control over the powerful Direction Generale des Telecommunications *(DGT)*, and Italy is considering injecting private capital into SIP, its main telephone company.

The Bundespost's telecommunications profits enable it to carry buge losses on postal services and to contribute a tenth of its turnover to the Federal Budget. France, in addition, has used PTT profits to prop up loss-making netionalised *electronics* companies. Last year, the DGT had to raise *unit* call charges by e wbopping 25 per cent.

So far, no nther country is contemplating free-for-all competition on the U.S. model, or even tha more cautious varieties found in Britain and Japan. Though the PTTs' powers may be pruned in some areas, such as apparatus supply, their *public network monopolies*, their main source of revenues, seem likely to remain intact.

BT is widely considered to have sharpened up its performance in tha past three years and some large users claim to *detect more business-like* attitudes elsewbere. "There is a change in the atmosphere. It's in the PTTs' approach, in their willingness to negotiate," says Mr Bessel Kok, head of SWIFT, the inter-bank funds transfer network.

"The PTTs used to stand solid. Now they are all looking anxiously over their shoulders, trying to make sure the others don't steal a march on them," says the telecommunications manager of a large U.S. commercial bank. But be, like many others who do business with PTTs, remain doubtful bow far the changes will go.

Many PTTs plan to invest heavily over the next few years in advaneed communications systems known as Integrated Services Digital Networks (ISDN), which will enable telephone calls and high-speed data to be carried on the same circuits. In theory, ISDN should enable data tariffs to be cut sharply and offer many innovative facilities.

But some customers fear ISDN may turn out to be over-elaborate, costly and designed mainly to suit the PTT's own engineers. They argue that the PTTs are still *too* far removed from commercial realities to cater adequately for the complex demands of modern businesses, many of which regard communications as an integral part of their compnter systems.

"Business users realise they are going to have to foot the bill for investments such as ISDN in the end. In return, they should have the right to get the *services* they need, not what PTTs *think* they ought to need," says Mr George McKendrick, chairman of the International Telecommunications Users' Group, which includes many large companies.

Many companies are also worried about moves in West Germany and some other countries to phase out existing flat-rate tariffs for their private networks and link charges to traffic volume instead. SWIFT is already forced to pay sucb "volume-related" prices in Europe. It reckons it pays at least twice as much as the SITA airline reservation network, which is still charged fixed rates.

PTTs argue that "volume-related" tariffs will ensure that business users pay fairer shares. But large companies nbject that in some countries, such as West Germany, flat-rate tariffs are already well above the true cost to the PTTs of pro*viding* the necessary laased circuits.

Though companies bave little choice in most countries but to submit to PTT demands, multinational firms can limit their exposure. According to Mr Denis Conroy of Coopers and Lybrand management consultants, national regulatory attitudes and tariffs are already *nften more important than the* location of physical plants in the planning of private networks.

BT has already persuaded many big companies to "hub" their European networks in Britain by offering attractive terms. *Similarly*, Belgium and tha Netherlands have wooed communications business away from West Germany, where regulatinn is exceptionally restrictive and charges are among tha highest in Europe.

Because at *least half of PTT* revenues typically come from business, the financial impact of such traffic diversion can be considerable. It is likely to grow, as more and more communications is between large *computer centres which can be* shifted from one country to another in search of more favourable communications conditions.

Some PTTs warn that without tight regulation, large American *companies may move in and* take effective control of Europe's telecommunications networks. IBM's intentions, in particular, arouse acute suspicion, all the more so in view of its planned link-up with MCI in the U.S. Last year, the British government vetoed a joint proposal by BT and IBM to set up a data network.

But critics argue that the longer PTTs cling to traditional policies which keep Europe's markets fragmented, the greater the threat to their authority. "If the PTTs don't get their act together and start managing *telecommunications* as a dynamic European industry, American interests will end up regulating it by default," says one EEC Commission official.

** International tariff comparisons courtesy of "Tarifica" published by Logica.*

Previous articles appeared on June 17, 19, 21, 24, 26, 28 and on July 1. The next will appear on Monday.

Flying start for Wales

Thirty years ago, when Desmander in the RAF's 601 squad mond Norman was a flight commander in the RAF's 601 squadron, one of *his* young pilots flying Meteors was David Waterstone.

The two men were reunited in London yesterday. Waterstone, now chief executive of the Welsh Development Agency, has belped put together a financial package for Norman to manufactura Fieldmaster and Freelance aircraft in Cardiff.

Since those RAF days, the pair have pursued very different paths. Old Etontan Norman, 55, has spent most of his life in the aircraft industry. He was one half of the original Britten-Norman partnership whose Islander aircraft became one of the most commercially successful 'planes produced in Britain.

Waterstone, who will be 50 next week, joined the Foreign Office and did a stint in Japan—where be picked up a knowledge of the language that is now invaluable in Wales, with the highest concentration of Japanese concerns in Britain.

Jobs at the now-defunct Industrial Reorganisation Corporation and British Steel followed before he reached Cardiff two years ago.

Norman sees big opportunity emerging for a British manufacturer of single-engined aircraft. "The market has been dominated in the West by the Americans," he says, "bnt they are now facing all sorts of problems."

Wales bas also had problems trying to raise finance for interesting projects. But Waterstone believes the WDA's venture capital fnnd bas, *to* use his flying metaphor, "now got that particular problem off the ground."

Only one thing marred yesterday's get-together. Waterstone was grounded—forced to remain seated because of torn ankle ligaments. A flying accident? No, to his chagrin—Scottish dancing.

"He told me he loved me, I *told him how I was going* to vote and I never saw bim again after the polls closed"

Men and Matters

Road to fame

A boyhood obsession with cars bas led John Haynes *to* the chairmanship of a small but far-flung publishing empire, operating in Britain and the U.S. and now celebrating its 25th year in business.

Haynes was 16 and at board *school* in 1955 when be decided to buy an Austin Seven for £15 and convert it into a sports car. "You coudn't get sports cars then—all the MGs were going for export."

He had some money left to *him* by *a grandparent* to *claim* when bewas 21, but managed to persuade his parents tolet him draw £100. He converted the car, drove it around on tracks because he was too young to get a a road licence, and then decided to sell it.

"I got over 100 replies to my ad in a car msgazine," be says "and as I'd just learned to use a Gestetner pencil I decided to do a manual on the Austin 7 Special and sold 250 copies. It wasn't the car—it was that pencil that launched me."

His lucky continued. He met Annette, his wife, who now is his co-ordination director at Haynes *Publishing* Group, Yeovil, Somerset, organising the high-tech printing of about 900 publications, mainly car manuals and car books, and with a profitable operation in the United States, too.

"We don't do Rolls or Ferraris," he says. "Our best-selling manuals are Minis, Escorts and even Cortinas. Of the more exotic cars, I suppose our best sell is Jaguars." But his output is not limited to car lore—another of his companies, Oxford Illustrated Press, has just published a book by jazz ainger George Melly.

Full of interest

There ara some at the Confederation of British Iodustry who are clearly not prepared to lie down in the face of the stern rebuke they received from Chancellor of the Exchequer, Nigel Lawson, last week in response to their call for lower interest rates.

The Chancellor, you will recall, told industrialists to stop whingeing about borrowing costs and concentrate on holding down labour costs.

Commenting on yesterday's unemployment figures, the CBI's director of ecoоomic affairs, John Caff, did stress the importance of keeping down wages—but then argued again for lower interest rates.

Last year Hayne's company reported profits of £1.37m. Which suggests that be has done pretty well from learning to use a pencil.

John Davidson, the CBI's Scottisb director, was much blunter. "Today's gloomy unemployment figures confirm the CBI's campaign for lower interest rates," he said. "Inflation is the sworn enemy of jobs. Lower interest rates will help to bring down inflation and create employment."

Over to you, Chancellor.

City guide

After two years' work, Elise Smith and Laura Phillips expect to publish the first who's who of the City of London in November. To be called Becket's Directory, it will include some 1,200 biographies of the Sqnare Mile's leading figures in banking, insurance, accountancy, fund managament and the law.

The two friends—Smith, an American lawyer, and Phillips, a former assistant to Roy Jenkins—set up their own publishing company for the project, which they started after "trying for years without success to penetrate the wall of inscrutahility" around many of the City's top men.

Bnt a majority stake has now hene acquired by fund managers, Framlington, wbo, apart from financial backing, will use their expertise in marketing the annual guida.

Framlington chairman, Bill Stuttaford, says: "As fund managers, we meet a lot of people in the City. It would often help enormously to know more about their professional backgrounds. Becket's Directory will fill a real need.

"We expect it to be a best seller, not only in the City but in other financial centres throughout the world."

Observer

POLITICS TODAY

Britain out on a limb again

By Malcolm Rutherford

THESE TWO suggestions may sound extreme, certainly eccentric. I think that Japan should be invited to join the European Community and that the European heads of government, who disagreed so conspicuously among themselves in Milan, should be in a position where they can jointly request a summit meeting with Mr Mikhail Gorbachev of the Soviet Union—much in the way that Mr Gorbachev has agreed to meet President Reagan of the United States.

The rest of this article is an attempt to justify the suggestions, or at least to challenge the complacency that has come to surround the approach to international affairs in this country, perhaps especially in the House of Commons.

Only the insular would argue that the Milan meeting was anything but a disaster. Mrs Thatcher is not that. Indeed the Prime Minister's statement to Parliament on Tuesday was distinctly muted, even chastened in tone.

True, the European Council reached broad agreement on a number of important issues, including technology and the principles of political co-operation. Nothing can divert attention from the fact, however, that the meeting was completely overshadowed by the quarrel between Britain and her major European partners over the proposals to amend the founding Treaty of Rome.

We should be clear about what that means. Nearly 30 years after the Conference of Messina, which led to the founding of the original Community of Six and to which Britain paid only the scantest of attention, and one year after the Fontainebleau agreement, which was supposed to have ended the country's major remaining disputes with her partners, Britain is again out on a limb, along with Denmark and Greece.

No wonder that the Prime Minister, after her initial fury had subsided, was relatively subdued in the House of Commons. She did not attack the Foreign Office, as she might have done, nor the Community as such. Instead she acknowledged that something very serious is up.

The consequences for the development of British foreign policy cannot be good. It was only 10 days ago that Sir Geoffrey Howe, the Foreign Secretary, was telling the House: "Our role as a leading member of the Community is increasingly central to our position in the North Atlantic Alliance, to the quality and weight of our contribution to the *dialogue between East and West* and, indeed, to our ability to maintain a worldwide foreign policy. It is the effectiveness of our presence in the Community which is the key to our influence on the future of Europe, and so to our capacity to promote Britain's interest in the wider world."

It does not quite look like that this week.

Time and again one notes that the anti-Marketeers in the House of Commons have an influence way out of proportion to their numbers. Much of the Parliamentary Labour Party now accept British membership of the Community as a fact of life, if with varying degrees of enthusiasm. Yet whenever the Government and the rest of the Community clash, there is a tendency for Labour to revert to old habits and say: "We told you so." There is not yet much sign on Labour's part of putting forward constructive suggestions for reform and saying how the Government could have done better.

That is one constraint. Another is that the Government appears to be frightened of its own backbenchers. Hard-line, card-carrying Tory anti-Marketeers have now been reduced to a handful, yet there is always a group of sceptics ready to join them if the Government proposes any further integration of anything that would raise Community expediture (unless, of course, it is a direct hand-out to Britain).

The result is an excessive timidity in government policy towards Europe. The Government fights shy of closer involvement and is resistant to almost everything that might require primary legislation in the House of Commons. Hence its opposition to changes in the Treaty of Rome.

We should notice in passing how odd this is, more than a decade after Britain joined. Not to have joined might once have been an option (though I doubt even that). It is hard to think of any desirable alternatives to membership today. To have joined, and then found a fight with the partners, is nihilistic.

Mrs Thatcher and Mr Bush, the U.S. Vice-President, in Downing Street this week

If this is bad for Britain, it is also bad for the rest of the Community. For every time the Community tries to relaunch itself—and fails—it becomes more difficult successfully to try again. Meanwhile, and this is the central point, the rest of the world has moved on.

The Community, judged collectively or by the records of its individual members, is no longer a shining example of economic and social development. When one thinks of economic strength and economic progress, the areas that come to mind are the U.S., Japan and some of the newly industrialised countries, most of which are geographically in the Pacific region, not the Atlantic.

Nor do the members of the Community come out all that well in terms of political co-operation, whether the words have small or large letters. Indeed the history of the last 20 to 30 years has been that of Europe trying to get its political act together, and generally failing to do so.

It is possible to argue that the relative decline of Western Europe has been accompanied by the relative decline of the Soviet Union: except in matters military, where Moscow has more than kept up. The decline is pan-European. Yet, with the accession of Mr Gorbachev and his series of Cabinet reshuffles, which one suspects is still not complete, it is worth pondering the question: what happens if the Soviet Union does take off economically and becomes a potential model for the third world?

Western Europe is in no position to speak to the Soviet leadership with one voice. Indeed, there is a kind of sneaky competition about who can do the most with Moscow unilaterally: Mr Gorbachev to Britain last year, and shortly to Paris and President Mitterrand before his meeting with President Reagan in Geneva. It sometimes looks as if the old national European rivalries are much what they were: without the shooting.

Western Europe cannot easily speak to the U.S. with one voice either. There is a topical example in President Reagan's strategic defence initiative: the attempt to explore moving towards reliance on defensive rather than offensive weapons.

Although the American scientific community is itself deeply divided about it, as a group of U.S. physicists made abundantly clear at a conference in Britain last weekend, one senses that the principal difference between Europeans and Americans is this. The Americans are attracted to SDI because it is new, radical, a challenge and gives a chance further to explore new technologies. The Europeans are suspicious of it for precisely the same reasons, though at the same time more than eager to get in on any commercial contracts that may be in the offing.

Europeans sometime seem to want to live in a more social democratic version of the 19th century world, plus the benefits of American protection. Yet not only has the 19th century order been long overtaken by events; so has the order that followed the Second World War.

Today's world is dominated not by the twin pillars of the Atlantic Alliance holding the balance of power with the Warsaw Pact, nor even by a superpower relationship between the U.S. and the Soviet Union. It is dominated very largely by America.

As an illustration, you only have to ask yourself how many international subjects it is possible to discuss nowadays without quickly arriving at the question: what is the U.S. position or what are the Americans going to do?

The latest geopolitical example is Southern Africa. Until a decade or so ago, the U.S. never had much interest there. Now it has become almost axiomatic that if anyone can do anything about the area—for better or for worse—it is the Americans. It has become a very lopsided world.

The exception is Japan, which for highly understandable reasons has decided that it does not wish again to become a great military power. It is also exceptionally strong economically and technologically.

Yet Japan, too, is a very lonely country. Its relations with the Soviet Union are not good and probably will not improve very much in the foreseeable future. Relations with China are much better, but the Japanese are the first to recognise that they cannot control Chinese politics.

There is, it is true, the special relationship with the U.S., but Japan does not seem to want to be over-dependent on it. The country is looking for friends and allies. Who better than the West Europeans?

Of course, it is an exaggeration to suggest that Japan should be invited to become a full member of the Community. The mind boggles at the thought of Japanese further confusing the European Parliament, for a start. Yet a treaty relationship between the Community and Japan might not be a bad idea. It might help to build up self-confidence between both parties. It might even persuade Japan to liberalise more of its trading and financing arrangements.

Sadly, the Community at present is in no state to offer anything of the kind.

Europe has time to recover from the fiasco of Milan, though not very much. So has Mrs Thatcher, if she learns from the past. She will not be assisted, however, if she swallows the statement made in London this week by Mr George Bush, the U.S. Vice-President, about the "very, very special nature of the Anglo-U.S. relationship." The world is no longer like that. Neither, I think, is the real America, and especially the America of the future.

Lombard

Surefire remedy to avoid

By Nicholas Colchester

"The remedies for the depression, as embodied in the resolutions adopted by the international Chamber of Commerce, are as obvious as the evil itself. They have been proposed again and again during the last 10 years. Exchange stabilisation, balancing of budgets, cutting of public expenditure, debt settlement and removal of trade restrictions are some of those remedies, whose efficacy no one doubts."

These words were reproduced in Tuesday's International Herald Tribune from the same newspaper's edition of July 2, 1935. Their misguidedness is well emphasised in Morgan Guaranty's latest World Financial Markets, the Mercedes Benz of economic commentaries, notable for its dispassionate analysis, its timeless intellectual styling, and the clever way it underscores each assertion with a pithy little chart or table.

The June edition is unusually emphatic. "Something has to be done — and done soon — to remedy the stagnation in Europe's domestic demand . . . appropriate demand management is the crucial dimension currently missing in Europe's strategy. . . demand adequacy is not guaranteed merely by lower interest rates as the 1930s experience should have taught for all time . . . the belief is misplaced that a lower dollar is the prerequisite for stronger European growth. In fact, *in* a low-inflation world a lower dollar is more plausibly a consequence of an acceleration of European growth achieved by other means."

Morgan's chief economist, Rimmer de Vries, has been arguing for some time for concerted economic action by the industrialised countries to wean the U.S. away from its dependence upon mounting debt without deflating the world economy. His latest report sketches out in particularly convincing fashion how counterproductive it would be for the U.S. to put its fiscal house in order unilaterally.

De Vries finds that "much official opinion in Europe still maintains that Europe's policies are already as expansionary as is prudent in the fact of structural problems. In particular there is a paralyzing aversion to significant fiscal stimulus following a period of several years in which credibility has been reckoned to stand or fall with fiscal consolidation. Yet there is no evidence to support the complacent view that some inevitable decline in U.S. interest rates and the dollar will stimulate Europe's demand sufficiently to compensate for the deflationary effects of a softening U.S. economy. Fiscal stimulus, especially in countries enjoying structural budget surpluses, is left as the only feasible way forward for Europe to create jobs speedily and in substantial numbers."

Conservative wets will doubtless be quivering in the glow of belated recognition. Alas, the other part of the message in the June edition will depress them. For if there is any country in Europe which is already doing de Vries' bidding it is the UK.

The UK alone in Europe is showing a clear structural increase in public sector borrowing since 1982. It is the powerhouse of Europe in terms of generating internal demand. Its increase in industrial production has been achieved despite a fall this year in exports to the U.S.; in France, Germany and Italy output is being helped by a rapid increase in such exports. Growth in *money* supply has been particularly marked in the UK over the past year, and the run-up in British unit labour costs is particularly worrying.

Morgan Guaranty prescribes "not a massive *fiscal programme* pretending to wipe out unemployment overnight without provoking high inflation, but rather a modest fiscal boost that nudges Europe's growth rate up to the 3 per cent to 3.5 per cent range for the rest of the decade." The finger points firmly at West Germany whose general government borrowing, at 1.5 per cent GNP in 1985, is half its nearest European competitor's, whose real investment is declining, whose domestic orders for manufactured goods are showing no growth at all over last year's, whose current account is in exceptional surplus by European standards, whose real effective exchange rate has declined and whose inflation is running at just over 2 per cent per year.

It is in the *Kanzleramt* and not in Number 10 that the Herald Tribune's old and virtuous remedies for depression are still being applied.

Letters to the Editor

Funding the youth training scheme

From the Chief Executive, Hairdressing Training Associates

Sir,—Your report on the arrangements for the two-year Youth Training Scheme (June 28) appeared only a few days after another report (June 24) on how little is spent on training by the private sector in Britain. As the Manpower Services Commission requires a considerable level of employer support for its YTS plans there is a grave danger that this reluctance to invest in training will produce YTS "on the cheap."

A company *or* consortium now running a Youth Training Scheme receives, after paying its trainees, £15.40 per week to cover administrative and training costs for the 50-week programme. With the allowances set for trainees for the two-year scheme, an organisation running YTS will be left with only £9.60 per trainee per week for training and administrative costs in the first year and, with *the* higher trainee allowance in the second year, only £1.90 per trainee per week. Therefore companies running their own YTS programmes will have to be prepared to contribute nearly £1,000 per trainee to fund their scheme to the present level of MSC grant.

There are also many schemes, like my own, which place their trainees in small businesses (shops, offices, *hairdressing* salons, etc.). These will have to ask for a sizable contribution from the work-placement providers. If the MSC permits some organisations to run YTS on lower contributions than others, then those who charge a realistic fee in order to maintain the quality of their scheme could be forced out of business.

It is therefore essential that the MSC ensures that all companies and organisations running Youth Training Schemes have agreed means of funding to bring their expenditure at least to the equivalent of the present MSC grants. If this is not done then there is a grave danger that the quality of YTS will suffer.

Brian Jarvis.
179 Marlowes,
Hemel Hempstead, Herts.

Venture capital for 'cottage industries'

From Mr N. J. Smith

Sir,—I was initially encouraged to read in the Management Page (June 25) that venture capital organisations "are now putting their money into start-ups which—though they have no track record—are structured like fully fledged companies and accordingly need large sums."

However, to highlight under this category four businesses whose combined equity backing is less than £11m makes one pause for thought. As is mentioned in the article, international marketing (which to be effective cannot be done *cheaply*) *is* today a prerequisite for most technically based manufacturing businesses. Such businesses must also maintain a high level of investment in technical development and manufacturing capacity if they are to remain competitive in the international market against companies based in much larger domestic economies such as the U.S., Japan and West Germany. Can such business really hope to do this successfully with the sort of equity bases mentioned in your article? Without inside knowledge it is not possible to know, but I beg to doubt it.

Only from the largest example cited in the article where a £22m equity commitment was mentioned can much comfort be drawn in this respect. That at least seems to show a willingness to invest heavily to reach quickly a minimum economic scale which alone can promise survival in today's tough business environment.

As for the statistic that the average venture capital investment in the UK in 1984 was £270,000, I am filled with despair. Adequate though *this* level of investment may be for small local service businesses, it cannot take us far into international markets unless we intend to try to compete in world business at the "cottage industry" level. With major established companies literally liquidating themselves by generating uninvested "cash mountains" and state agencies out of the business development sphere, if our industrial future *requires* the generation of *substantial* new businesses, the prospect looks bleak indeed. Venture capital for all its promise of new beginnings may turn out to be a "Custer's last stand" rather than a "Dunkirk" in the long saga of Britain's industrial demise.

Norman J. Smith.
21 Westbere Lane,
Canterbury, Kent.

Safety of visual display units

From the Technical Relations Manager, IBM UK

Sir,—Your June 17 story, "VDU safety warning," is misleading and seriously misinterprets a report on visual display units prepared for IBM by Dr A. W. Guy.

Your readers should understand that Dr Guy's basic conclusion is that VDUs are "safe to use." To make this point clear, he has written a *preface* to his report in which he says: "I do not feel . . . that unshielded VDU emission levels represent a potential health hazard."

Contrary to your news story, Dr Guy does not recommend fitting current VDUs with an extra layer of shielding. He says shielding is desirable because it reassures those who perceive a problem — a perception he feels is based on unverified reports and not supported by valid scientific evidence. He adds that "such shielding is generally present in *newer models of VDUs for* reducing electromagnetic interference." All IBM VDUs manufactured since 1971 — including those manufactured and sold in the UK have been so *shielded*.

You say that IBM "is not publishing the report." We have been distributing copies of the full report, to anyone who requests it, since May and have widely distributed Dr Guy's report summary since September. In addition, Dr Guy has reported his findings at appropriate scientific forums.

IBM encourages further study in this field. We are confident that such study will continue to support the safety of VDU use.

Keith Williams.
Baltic House, Kingston Crescent,
Portsmouth, Hants.

One way to reduce unemployment — without inflation

From Professor P. E. Hart

Sir,—Your correspondent, Mr Whiting (June 17), Mrs Clifton (June 19) and Mr Juby (June 22) make some interesting comments on my article "One way to reduce UK unemployment" (June 12). I agree that the information on part-time employment is far from ideal, but the Population Census data on part-time employees includes those below the National Insurance contribution threshold. We have relatively more part-time employees than most other industrialised countries, including the U.S., as shown by Manley and Sawbridge, *Lloyds Bank Review*, January 1980, and by OECD *Employment Outlook*, September 1983. Sweden may be one of the few countries with relatively more part-time employment, but since part-time work is defined as less than 35 hours a week, compared with our 30 hours, we cannot be certain about this.

There are many reasons why *employers often prefer* adult part-time workers to young full-time workers: national insurance contributions are only part of the explanation. Mrs Clifton makes a valid criticism of the quality of our school leavers. Prais and Wagner, *National Institute Economic Review*, May 1985, show that our pupils in the lower half of the ability range are inferior to those in *Germany. If their* employment prospects are to be improved, substantial changes must be made in the school curricula, including more vocational training. This will not be easy, under our present decentralis*ation* of schooling, for it involves persuading heads of individual schools to change their ways.

It is true that most firms are small, but it is also true that most employment is in the larger firms. However, there is no point in discouraging small firms from hiring full-time *workers. Mr* Juby believes that the various employment laws (involving redundancy payments, maternity benefits, maternity leave, unfair dismissal etc) encourage firms to hire part-time workers who work too few hours a week (usually below 16) to be covered by these laws. Against this we have the evidence of the surveys published by the Policy Studies Institute in 1978 and 1981 (Nos 577 and 596) which suggest that these laws do not discourage the hiring of labour. The Government has come down on *Mr Juby's side* and has *relaxed* the employment rules for small firms. Indeed, in his Budget statement, the Chancellor announced that the relaxed provisions for unfair dismissal would be extended from small firms to all employers.

All these points arose from one example of the kind of detailed microeconomic policies required to reduce unemployment. Some people might regard them as second best and would prefer to increase the total number of jobs by expanding aggregate demand. Unfortunately, the recent announcement of an increase in wages in the private sector at an annual rate of over 9 per cent, and the emphatic rejection by the Transport and General Workers' Union of any form of incomes policy, even under any future Labour government, suggest that increases in aggregate demand would lead to increases in wages and prices rather than in *output and employment*. Hence, at the present moment, we must concentrate on microeconomic policies to reduce unemployment if we wish to avoid inflation.

P. E. Hart.
Department of Economics,
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FINANCIAL TIMES
Friday July 5 1985

Paul Betts in Paris hears about a recovery programme from France's 'man of the shadows'

Besse tests his health cure on Renault

M GEORGES BESSE claims that be does not want to be a star. It is not the job of an industrial entrepreneur to seek the public spotlight, according to the plain-talking chairman of Renault, France's troubled, state-owned car group and one of the country's biggest industrial headaches.

Since taking over what is generally considered as the hottest job in French industry six months ago, M Besse has mada strenuous efforts to keep as low a profile as possible. He has avoided public statements and public gatherings: be has been called *"un homme de l'ombre,"* a man of the shadows.

However, his attempts to prevent a sort of popular cult of the industrial troubleshooter *par excellence* developing around him have failed. Almost no week goes by in France these days without M Besse's name appearing on the front pages of the country's newspapers or being heard on radio or television.

The "health cure" proposed by M Besse will not prove a quick or easy task. For a start, it requires a growing or at least stable car market in order to work.

After nearly six months of silence, M Besse has put together the broad lines of his recovery strategy for Renault. Yesterday, for the first time, he agreed to talk about his plans to a group of journalists over coffee and croissants in the barge Renault uses for entertaining, moored on the Seine near Notre Dame cathedral. Apart from asking that none of his comments he put between quotation marks, M Besse gave a detailed version of his plans for a company that had been a leading symbol of the best in French nationalised industry until it was hit by a profound crisis and record losses of FFr 12.55bn ($1.35bn) last year.

The Socialist Government picked M Besse after his success during the past two years at restructuring the nationalised Pechiney aluminium group, which has now returned to profit. His first months at Renault were spent reviewing all aspects of a business with which he was unfamiliar.

M Besse's "health cure," as he calls it, involves a big slimming of Renault's car production, job cuts involving 21,000 car workers in France, savings wherever possible, a restructuring of the group's balance sheet, weighed down by long and medium-term debts of FFr 40bn, and greater scrutiny of investments with money spent only on essentials.

He acknowledges that recovery will be a long and difficult job. If the car market remains stable or grows by a few points a year, if prices do not collapse and Renault's restructuring programme stays on target, the group should be in better shape in about three years time. The first half of this year has continued to be disappointing, with Renault losing money at about the *same rate as last year.*

Renault's difficulties have been compounded by the group's restructuring at a time when its main foreign competitors have completed their restructuring programmes and are making money again. M Besse points out that General Motors cut production but last year made profits of $6bn.

Renault wants to reduce its total car production capacity from 1.8m last year to 1.6m a year by the end of 1987 with a production target of about 1.5m compared with 1.4m in 1984. M Besse says the breakeven point for the group would come down to 1.2m a year, below which the company would lose money.

Reduced output is to he matched by 21,000 job cuts between this year and the end of 1986 to reduce the French car workforce to about 77,000. M Besse says the company's job reduction programme is on, if not slightly above, target with 11,000 job cuts since the beginning of last October.

M Besse suggested that he had no plans to shed Renault's U.S. assets, where the group owns 6 per cent of American Motors Corporation (AMC). He acknowledged, however, that AMC has not been the success Renault bad hoped. Renault's decision in 1981 to attack the American market in the small car sector proved an unhappy choice since it faced both the formidable Japanese challenge and the subsequent *decline in oil prices* which made large cars attractive again on the U.S. market.

M Georges Besse

Renault, he says, bas two delicate years ahead in the U.S. If the AMC passenger car range is proving a problem, its Jeep business has done well. He also intends extending *AMC's car range* by exporting models from France, although Renault's first attempt a few years ago to export cars to the U.S. was not a success. When asked if be intended to sell Renault's interest in AMC, M Besse said no decision on the future of AMC had been taken.

M Besse is adopting a pragmatic and flexible approach to the job of restructuring Renault. When industrial necessity forces yoo to do something, you do it, he says. Although Renault is not involved in any negotiations over collaboration with another manufacturer, he is continuing talks with the Japanese on possible ventures in the car components sector, and is looking for a partner for Renault's loss-making farm machinery business.

He has decided to turn the company into an independent subsidiary of the group, to make it a more attractive proposition. Renault's large, loss-making truck subsidiary is also exploring *collaboration* ventures with other truck makers in the components sector and recently signed a letter of intent with Rockwell of the U.S. to collaborate on gearboxes.

In Mexico, Renault is holding advanced negotiations for General Motors to absorb a large part of the output of the French company's recently completed car-engine plant at Gomez Palacio.

M Besse is far more discreet about financial negotiations with his sole shareholder, the French Government, to restructure Renault's balance sheet. The group appears to have won the Government's approval for funds totalling about FFr 20bn over the next three years. M Besse would not confirm that figure yesterday and said talks were not yet over.

The company has been seeking to save money wherever possible and last week announced it was selling its building in the Champs Élysée in Paris. Money is to be spent only on essential investments and several ventures in diversified sectors have been frozen or sold off. Those include a venture in liquid crystal technology for dashboard instruments with Stanley in Japan.

M Besse has decided to shed Renault's 51 per cent interest in Renix, the electronic car component joint venture with Bendix of the U.S. The problem for Bendix, he said, was that the venture had failed to find customers for its products outside the Renault group in the past six years. He believes Renix will be freer to develop into an important supplier of electronic car components now that it is no longer linked with Renault.

The chairman gives the impression that be is quietly confident of putting Renault back on the right track. He is purposely avoiding spectacular strategic moves, believing the restructuring of Renault to be a patient business, or as he puts it, a *travaille de fourmis* (labour of ants).

He does not like strategic moves such as Renault's past policy of bringing out one new car a year; the less said about future model plans the better.

M Besse has waited until now to discuss his plans for Renault because, he says, be does not like to talk about things he does not know. One of the leading figures in the French nuclear industry, be was chairman of Cogema, the French nuclear fuels company, before taking over Pechiney.

He has always been a person who speaks his mind. When someone *suggested yesterday* that Renault was selling cars on the Italian market at cut prices, he replied that Sig Giovanni Agnelli, chairman of Fiat, charged 18 per cent more for his cars in Italy than in France. Pre-tax car prices in France were the lowest in Europe; as much as 17 per cent lower than Italy and about 20 per cent lower than in Britain.

M Besse is quick to point out that Renault's action in selling cars in Italy at cut rates is no more than the equivalent of what Fiat is doing in France.

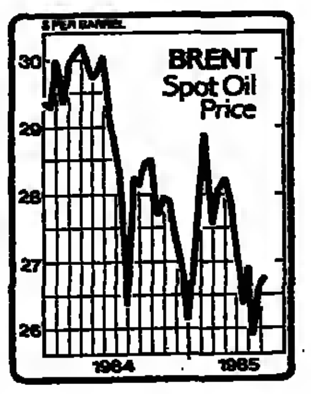
That is a problem for Renault because nearly 50 per cent of its FFr 118bn annual turnover is in France. Another potential difficulty is the threat of a period of political instability after next year's general elections, *although* the Renault chairman claims not to be over-anxious because of his faith in the basic common sense of the French.

Despite his willingness to discuss the future of his company, M Besse is likely to continue to maintain a discreet approach to his job. After *all*, his is not only in one of the most sensitive posts in French industry, but he also comes from Clermont-Ferrand, where he went to school with François Michelin, the even more discreet chairman of the French tyre company.

THE LEX COLUMN

Viennese whirl for Opec

It looked last night as if a slightly more solid market and some stirring words from Lord Hanson had been just enough to avert a rights-issue disaster. About a fifth of the new ordinary equity should be left with the underwriters and, while the preference issue is clearly beached, a successful placing of the remaining ordinaries might even see that start trading at a premium.



Opec

The markets used to look forward to Opec meetings with the trepidation *generally* reserved for dentistry, but not this time. For all the markets seem to care, today's gathering *in Vienna might* not be taking *place* and the Saudi threats of an oil price at $15 mere empty air. Sterling steams ahead, the spot price for Brent crude oil has recovered from its mid-June trough and the UK oil sector actually managed to swim against the dreadful tide of last week's stock markets.

The glowing backcloth is, perhaps, less than it seems. It could well be that the abolition of BNOC – at a time when the Brent spot price was over $2 higher – may have weakened the Pavlovian reaction of foreign-exchange dealers to a weakening dollar oil price. While the spot market is much more confident of its pricing power as less Opec oil is traded on contract terms, the Brent price movement is more parochially linked to shortages of immediate North Sea delivery as capacity is shut in for maintenance. As for oil shares, even after a hard month for equities the majors are sitting on yields streets better than the market average.

Yet the chief reason for the current mood is that Opec is producing at a level some 1.5m barrels a day lower than its 16m b/d emergency ceiling price inducement. Naturally it is Saudi Arabia, which once bore the burden of increased demand, that is now taking the slack; and at 2.4m b/d, Saudi Arabia is not producing enough for the health of its wells and gas industry or to meet its aid commitments and budgetary targets.

With but one other tool to regulate its economy – not paying contractors – the country has been drawing on its non-oil liquid assets at a rate which it finds uncomfortable. But actually to carry out the implicit threat of flooding the market would be *most out of character*: Saudi Arabia has for years propped up living standards in countries technically inimical to its rulers and is more likely to be seeking some additional share – and less cheating by others should consumption of *Opec oil* rise back towards the ceiling.

Should Opec *actually decide* to reduce this ceiling a bit, the UK oil sector might enjoy a small bounce since prices are discounting o fudged (but not disastrous) meeting. But at present, such decisiveness *seems unlikely* in an *organisation* fixed on individual volume shares and price differentials between local grades.

VW/Peugeot

Two months ago, the Volkswagen share price was trading on a prospective earnings multiple of about 3, leading at least one Wall Street house to dub it the cheapest share in the world. That bumble appraisal has since been vindicated by a rise of no less than two thirds in the group's market capitalisation. Yesterday, VW estimated that the half-year to June had seen a reversal from group losses of DM 162m to profits of DM 280m.

VW cannot claim all the credit for the turnaround. The average dollar rate was around DM 3.15 in the first six months of the year, compared with an average of DM 2.85 in the whole of 1984, and a 1 pfg movement in the dollar adds around DM 10m to VW's bottom line. Moreover, the first half of last year was badly affected by the metalworkers' strike.

But, leaving the special factors aside, VW has still shown an underlying trading improvement, not least in the domestic market where the high-margin Golf and Jetta models are selling well. It looks set to report adjusted 1985 earnings of about DM 65, leaving the shares on a towering multiple of 5.3 times at last night's price of DM 345.

Even after the re-rating, the shares do not look exactly overpriced. But it seems that European volume cars are not everybody's favourite business. Peugeot has had a fair share price run as well, crowned yesterday with news of a placing equivalent to a one-for-five rights issue, and yet the shares are still trading on a multiple of around 2½ times next year's earnings.

So either the European manufacturers are being unfairly neglected by the international investment community – which now prides itself on being able to establish a fair relative value for GM and VW at the press of a button – or the market has taken a look at the losses being chalked up by Renault and reminded itself of the volatility of European volume car earnings. The outcome of the Peugeot placing, a fair proportion of which is being done in London, may establish which interpretation is correct.

B & C

Two formidable barriers have long divided British & Commonwealth *Shipping from potential* investors. The sheer complexity of the way in which B & C's assets are held has been one problem; just to work out how much of Telerate it effectively controls has required the tracing of a path which leads from the stake in Exco, through the financial holding company St Mary Axe, and back through two other investment companies which themselves own shares in either St Mary Axe or B & C or both. The other barrier, practical rather than intellectual, is that the share capital has not been increased for 30 years and half of it is tightly held; it has therefore been exceedingly hard for large funds to deal in the necessary size.

By the simple device of buying in some minority holdings in group companies – and issuing 27m shares to do so – B & C could make itself considerably more accessible. Owning all of St Mary Axe will do something to sort out the relations with Exco, Telerate and Gartmore, while complete ownership of Bristow Helicopter and the other aviation interests might actually lead to some simplification of management. Since the £63m that B & C is paying for the minorities may be a fraction less than their market value, there is no real asset dilution; nor is B & C's interest in the earnings stream likely to be noticeably thinned down. And if the recent *firming* of Telerate's share price were merely to be as clearly reflected in the valuation of B & C as in that of Exco, the more transparent pattern of holdings would be justified.

Progress limited in New Delhi summit

By K. K. Sharma in New Delhi

INDIAN and *Pakistani troops* exchanged fire across the cease-fire line in the disputed state of Kashmir yesterday as the foreign ministers of the two countries concluded a meeting on co-operation in New Delhi.

No real improvement in relations is expected to result from the discussions, by o joint commission, despite Pakistani Foreign Minister Yakub Khan's statement that a "spirit of friendship" had been found and the conclusion of India's Khurshed Alam Khan that the three-day meeting had been "productive and satisfactory."

The meeting is nevertheless important because it marks the renewal of talks between Indian and Pakistani leaders. Relations had deteriorated steadily since the joint commission ws formed two years ago. One significant change was Mr Yakub Khan's willingness to discuss ways of checking terrorism with Prime Minister Rajiv Gandhi and other Indian leaders. India has accused Pakistan of providing shelter and training for Sikh terrorists.

The joint commission reached agreement on matters of agriculture, tourism and telephone communications which, if implemented, will result in o marked increase contact between the countries.

There was no agreement, however, on an expansion of trade, which is handicapped by Pakistan's reluctance to allow private companies in the two countries to deal directly with each other.

Officials of the two governments are due to meet on July 30 with proposals for a friendship treaty no which no progress has been made for three years.

Bhopal waits in quiet anger, Page 4

UK jobless total shows biggest monthly decline for six years

BY PHILIP STEPHENS IN LONDON

BRITAIN'S underlying unemployment total fell last month for the first time for more than o year, but it is uncertain whether the drop marks o reversal of the longstanding upward trend.

The Department of Employment said the seasonally adjusted figure, the best guide to the underlying trend in the labour market, showed a fall of 7,400 last month to leave the jobless total at 3.17m, or 13.1 per cent of Britain's working population.

The unadjusted total, which includes school-leavers and is subject to large seasonal fluctuations, fell by 62,400 to stand at 3.18m.

The fall in the adjusted figure was the largest since 1979. Taken with a *further rise* in the number of vacancies, it was characterised by Mr Tom King, the Conservative Government's Employment Secretary, as adding up to "the best month for more than five years." He acknowledged, however, that it was too soon to draw conclusions about the future trend.

Britain's unemployment rate is *still high against* the *average of other* industrialised nations. Standardised figures for May, the latest available, put Britain's rate at 13.4 per cent compared with a European Community average of 10.9 per cent.

UK unemployment rose by an average of 11,000 each month in the first half of this year, down sligbtly from an average monthly rise of 12,000 in the last half of 1984. Government economists believe that those six-monthly averages are the best guide to the underlying trend.

Mr John Prescott, employment spokesman for the opposition Labour Party, meanwhile accused the Government of "fiddling" the jobless figures because 104,000 young people leaving school this summer are excluded from the official count because they are not eligible to claim unemployment benefit until September.

Mr David Steel, the *Liberal* leader, said there was "not one sign of hope or recovery" in the June figure.

The Government, however, clearly hopes that the fall might mark at least a levelling out of the underlying trend over coming months. Officials were pointing out that the level of notified vacancies has now risen for four months, in succession.

The figure of 189,000 vacancies in June, up 8,000 from May, is the highest since 1980. Officials estimate that the total number of vacancies in the economy *now* stands at between 475,000 and 575,000, since only about one third have traditionally been recorded at state employment offices.

Horten profit fall forces dividend cut

HORTEN, the West German retail store chain majority-owned by BAT Industries of the UK, is cutting its dividend after a profit setback, writes John Davies in Frankfurt.

Net profit in the financial year to the end of February fell by 44 per cent to DM 20m ($6.5m), compared with DM 36m in 1983-84. The widely expected, proposed dividend cut will take the payout down to DM 4 per share from DM 6 on the previous year's results.

Horten hopes to bounce back with an improved performance this year, even though consumer spending remains restrained in West Germany and retail competition is fierce.

All the country's big retail groups faced serious difficulties last year, with the seven-week labour conflict in the metal industry causing shoppers to keep an exceptionally tight hold on purse strings.

Horten, the country's fourth largest department store group, has already reported that sales revenue from its 58 stores in 1984–85 slipped 1.9 per cent to DM 2.87bn, excluding food and travel business and Peter Hahn fashion sales.

Horten has responded to the increasing retail pressures by closing some stores and opening new ones, by transferring its unprofitable food business to the Edeka group and by revamping its product range.

Part of its strategy is to create a speciality department store image, for example through its fashion boutiques and computer shops.

BAT Industries, through its Batig holding company in West Germany, lifted its stake in Horten to 51 per cent last year. It has increased its share stake in stages since acquiring a 25.6 per cent holding in 1971.

Horten's larger rivals – Karstadt, Kaufhof and Hertie – all reported lower sales revenue last year. Karstadt and Kaufhof both made lower group profits, while Hertie, largely owned by private trusts, suffered a much-increased loss.

All of those groups have been intent on rationalising their operations and seeking a formula for success in their hard-fought market.

Retail sales in West Germany, in price-adjusted terms, suffered a setback in 1982 and have been fairly flat since then. Department stores, as a group, have steadily lost ground to the challenge of discount *stores* and *hypermarkets* in *less* central locations.

Barclays Bank joins Channel link group

By Duncan Campbell-Smith in London

BARCLAYS BANK plans to join the existing five British partners in Euroroute, the Anglo-French consortium that is one of the two leading bidders competing for a contract to build a fixed link across the Channel.

Announcing the clearer's plans yesterday, Sir Nigel Broackes, chairman of the UK half of the Euroroute consortium, added that other partners would be announced in the coming weeks. Sir Nigel also made clear that Euroroute was to seek firm commitments from London investors for £10m to £15m ($13.1m to $19.7m) of additional equity capital by October 31, when it must submit its written bid to the UK and French Governments.

His remarks came between morning and afternoon presentations by the UK management of Euroroute to two separate gatherings of more than 50 prospective investors.

The presentations included a technical review of Euroroute's proposed fixed link, which comprises an immersed tube tunnel carrying a motorway across the central section of the Channel, connected to the mainland at either end by extended cable bridges.

Euroroute is also contemplating the construction of a rail tunnel to run alongside the motorway tunnel, but extend from coast to coast. Sir Nigel made clear, however, that progress on that aspect of the venture would depend on reaching a more advantageous deal than so far looked available with British Rail and SNCF, the French national railway.

"We do not see the returns there which are necessary at present – though we can build it more cheaply than our competitors, if we decide to do so," said Sir Nigel. The Anglo-French Channel Tunnel consortium is preparing a rival bid based on a double railway link.

Euroroute envisages spending £10m on the detailed planning of its bid proposal. That will be financed by its founding equity partners, currently Trafalgar House, British Steel, British Shipbuilders, John Howard and Kleinwort Benson.

If it wins the mandate, work on the pre-construction stage of the project will last until mid-1987 and will cost a minimum of £50m – drawing on the £10m-£15m sought yesterday.

Tha bulk of Euroroute's financing, amounting to an estimated principal sum of £4½bn-£5bn, plus perhaps £2bn-£3bn to cover interest costs and inflation, would be sought after 1987 through project loans and the proceeds of a public flotation

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	S	24	75	Malaga	S	28	82	Salzburg	S	26	78
Algarve	S	27	81	Faro	S	25	77	Malta	S	29	84	Seoul	F	26	79
Algiers	-	—	—	Florence	C	29	84	Manila	S	33	91	Singapore	T	30	86
Amsterdam	R	25	77	Frankfurt	R	25	77	Miami	C	28	82	Stockholm	S	21	70
Athens	F	25	77	Funchal	F	21	70	Milan	F	23	73	Strasbourg	S	26	79
Bahrain	S	38	100	Geneva	F	25	77	Moscow	R	15	59	Sydney	F	20	68
Bangkok	S	32	90	Gibraltar	S	24	75	Munich	S	23	73	Taipei	R	34	93
Barcelona	F	25	77	Guernsey	S	17	63	Nairobi	F	23	73	Tangier	S	29	84
Beirut	S	29	84	Helsinki	F	22	72	Naples	F	30	86	Tehran	-	—	—
Belgrade	F	22	77	H. Kong	C	30	86	New Delhi	S	37	99	Tel Aviv	S	28	82
Berlin	S	22	72	Innsbruck	S	28	62	New York	C	27	81	Tenerife	F	25	77
Biarritz	C	21	70	Inverness	F	18	64	Nice	S	25	77	Tokyo	R	24	75
Blackpool	S	25	77	Istanbul	F	28	82	Oporto	C	20	68	Toronto	S	27	81
Bordeaux	C	18	66	Jersey	F	23	73	Oslo	C	21	70	Tunis	S	32	90
Brussels	S	25	77	Jo'burg	S	18	64	Paris	C	28	82	Valencia	S	32	90
Budapest	F	22	72	Las Palmas	S	26	79	Prague	S	22	72	Venice	S	24	75
B. Aires	C	16	60	Lima	C	18	65	Reykjavik	F	12	54	Vienna	S	19	66
Cairo	S	33	91	Lisbon	S	24	75	Rio de J'o	C	33	91	Warsaw	F	17	63
Cape Town	R	16	61	Locarno	C	22	72	Rome	S	34	93	Zurich	S	23	73
Caracas	?	27	81	London	S	25	77								
Casablanca	S	23	73	Los Angeles	S	38	100								
Copenhagen	F	19	66	Luxembourg	S	25	77								
Corfu	S	29	84	Madrid	S	27	81								
Dublin	S	21	70	Majorca	S	26	79								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Peugeot rights issue

Continued from Page 1

in 1983 of Peugeot bonds with warrants attached exercise their warrants. This coupled with the new equity issue will bring the total of outstanding shares to 19m in 1987.

No new major shareholder is expected at this stage to take a substantial block of the new shares. At the same time, the company is expecting significant foreign interest in the new stock issue.

The Peugeot family currently holds 34.5 per cent of the outstanding shares, while the other major shareholders are Michelin with 9 per cent and Chrysler with a little under 15 per cent.

The Peugeot family is not expected to subscribe to the new issue. This is also expected to be the case with Michelin and Chrysler.

The decision of the car group to return to the equity market also reflects Peugeot's intentions to take advantage of the generally buoyant state of the bourse and the continuing strong demand for French blue chip and recovery stocks from foreign institutions and investors.

M Jacques Dalvet, Peugeot's chairman, had suggested in February that the group was considering raising capital by issuing new shares.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 5 1985

SKILLED MANAGEMENT LIFTS PORTFOLIO YIELD OVER 16%

World Bank profits top $1bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN PARIS

THE WORLD BANK will report record net profits of more than $1bn for it fiscal year which ended on Sunday, Mr Eugene Rotberg, senior vice-president and treasurer, said in Paris yesterday.

The results, to be published formally in the middle of this month, will also show a surge in liquidity to a record level of almost $18bn, be told a meeting of bankers and analysts.

The high level of profits, which compares with just $600m in the previous fiscal year, has clearly come as something of an embarrassment to the bank, as it lays the institution open to criticism that it is overcharging developing countries to which it provides project finance.

But Mr Rotberg made clear that the profits came mainly from the bank's active management of its growing liquidity portfolio, which is in turn a function of its decision to borrow more than it needed over the last year while interest rates were low. Gross trading of liquid investments amounted to $3,000bn last year, which boosted the yield on liquid assets to more than 16 per cent.

Mr Rotberg said the World Bank had yet to decide how to deploy last year's profits, but as much as $150m might be made directly available to help the poorest countries in sub-Saharan Africa. The rest would go to boost the bank's reserves and add to the funds of its International Development Association (IDA) affiliate.

Only a small part of the increase in the bank's liquidity, which a year earlier had stood at $14.9bn, had occurred as a result of a slowdown in disbursements of loans to developing countries, he said. The rest was the result of a deliberate policy of overborrowing.

Underlying his remarks was a belief that interest rates on world bond markets may be at or near their cyclical lows. The World Bank, which on average launches a new international bond issue every 2½ days, is the largest non-sovereign borrower in international bond markets.

It now believes that it is less risky to borrow dollars at today's rates than to wait and see if rates continue lower. Dollar rates are the lowest in seven or eight years. "We do not want to delay," he said.

Even so the high liquidity, which now amounts to 98 per cent of all debt owed to the public over the next five years, means that the bank expects to borrow only $9bn-$10bn in its current fiscal year, compared with $11.2bn in the year just ended. This target may be revised in December, depending on the bank's lending programme.

Outlining the bank's borrowing plans, Mr Rotberg made the following points:

● About one third of this year's new borrowing will be in dollars, although the bank also intends to arrange $1.8bn in currency swaps. The result will be that the Swiss franc will again have the largest share in borrowing at 25 per cent, followed by D-Marks and yen with 20 per cent apiece.

● The bank is now looking for the first time at launching floating rate notes in currencies other than dollars, specifically sterling, yen and Swiss francs, but a decision to go ahead depends on finding the right reference rate.

The bank still believes the London interbank offered rate (Libor) is too volatile a reference. For its dollar floaters it has always used the U.S. Treasury bill rate as a reference and an equivalent will have to be found in other currencies.

● The bank also plans to launch one or two new types of instrument to the market this year and will increase its borrowing in Ecus, he said.

Last year its borrowing programme covered 12 separate currencies and was arranged at an average nominal cost of 7.98 per cent, compared with 8.42 per cent in 1983-84. This week the bank announced that as a consequence of its lower borrowing costs it would reduce its lending rate for the next six months to 8.92 per cent from 9.29 per cent previously.

Mr Rotberg was in Paris to complete arrangements for the bank's new FFr 1bn bond issue, only its second ever borrowing in French currency. He said the issue might be swapped into Swiss francs as this could produce a lower overall cost after likely exchange rate changes were taken into account.

Total outstanding borrowings are now some $50bn.

EUROBONDS

Mixed fortunes for Australian $ issues

BY MAGGIE URRY IN LONDON

THE CLOSURE of the U.S. bond market for Independence Day, yesterday left the Eurobond market to concentrate on Australian dollar issues.

The sector has been active lately, with European investors attracted by high yields compared to U.S. dollar bond yields, in a currency which has potential to appreciate. Two more issues appeared yesterday, each for A$50m.

Orion Royal Bank launched a six-year deal for CRA Finance, a subsidiary of the mining company controlled by RTZ, with a 13¼ per cent coupon and 100½ issue price. The deal was well received and was trading around 99¼, well inside the 2 per cent total fees.

Despite the sector's strength traders felt that Hambros Bank had gone too far in pricing the other issue, for South-Australian Government Finance, with a coupon of 12¾ per cent and a 100¾ issue price for the six-year bonds. The pointed out that the recent New South Wales issue had a seven-year life with a 12¾ per cent coupon and 100¾ issue price.

Hambros brought in Kredietbank and Bain & Co as co-leads. Dealers said that some banks had declined offers to join the syndicate. Fees total 2 per cent and some traders were quoting the issue at a discount larger than that.

The Eurodollar bond market was soporific yesterday without a lead from New York. Banque Nationale de Paris formally launched a $100m floating rate note for Banque Arabe et Internationale D'Investissement which has been largely pre-placed.

In the European currency unit market Nomura International launched a Ecu 40m deal for Daikyo Kanko, the Japanese property group. The deal is guaranteed by Sanwa Bank.

As it is a direct issue from Japan, the Japanese insurance companies are allowed to buy it without using up their quota of foreign bond holdings. That might explain terms which looked tight at an 8¼ per cent coupon and 100¼ issue price on the seven-year deal. Fees total 1¾ per cent.

British Petroleum was again borrowing yesterday, this time in the Swiss franc public market. The SwFr 70m issue matures after 12 years and lead manager UBS set the terms at a 4¾ per cent coupon and 100¼ issue price. It is thought that the proceeds will be used in a swap.

International bond service, Page 18

$150m note facility for Blue Circle

BY ALEXANDER NICOLL IN LONDON

BLUE CIRCLE Industries, the UK cement manufacturer, has become the latest of a handful of British companies to arrange note issuance facilities. It will be able to issue up to $150m of short-term Eurodollar notes over a 10-year period.

Mr Colin Hunter, the company's treasurer, said: "We see this not as a standby, but as a line which will be fully drawn." Blue Circle will use it to refinance more cheaply short-term dollar debt incurred in the receat $145m purchase of Atlantic Cement from Newmont Mining.

The favourable market response earlier this week to ICI's first drawing under its $400m facility indicated that this was the cheapest form of finance currently available, Mr Hunter said.

Blue Circle has already partially funded the Atlantic Cement purchase through a £80m share placing. The new facility would enable more efficient foreign exchange exposure management and would match dollar assets with debts in the same currency, Mr Hunter added.

The deal, lead managed by Orion Royal Bank with the newly formed Lloyds Merchant Bank as co-lead, incorporates a swing line allowing Blue Circle immediate access to $75m for up to 17 days.

The borrower may issue paper of one, two, three or six months' maturity and will have a choice of two issuing methods.

The options are the tender panel, in which participating banks are invited to tender for paper, and the "issuer-set" margin, in which the borrower sets a spread and gives all participating banks the option of taking paper at that rate.

Managers – a small group is being sought – will be paid facility fees of 0.1 per cent for five years and 0.125 per cent for the remaining five.

William Hall in New York looks at trends unsettling American bankers

First Chicago rides storm

BRIEFLY last week there was a flurry of rumours about First Chicago, America's tenth biggest banking group, and traders watched nervously to see if Chicago's biggest bank was going to face the sorts of problems in the world's money markets that confronted its former high-flying rival, Continental Illinois, last year.

As was the case with the rumours which precipitated last year's multi-billion dollar run on Contineatal Illinois, the talk about First Chicago had no basis of truth but the fact that the rumours were being repeated around the world must have sent a shiver through the U.S. bank regulatiag community. The Continental Illinois saga demonstrated thet it takes little to start a run on a bank in the current electronic age when millions of dollars can be shifted from bank to bank by doing little more than pressing a button.

Ever since October, when First Chicago shocked the financial community by announcing that it was writing off $279m of its loans in the third quarter and would show a $71.8m loss, First Chicago has been under more than usual scrutiny by both bankers and bank regulators.

The latter ordered the bank to increase its capital ratios and take other steps to put its house in order. Meanwhile, bankers are conscious that if there is another run on a large U.S. bank it is far from certain that the big depositors will be bailed out as generously as they were when the U.S. Government stepped in to save Continental Illinois last summer. They might not lose their money but they could find that it was frozen for a considerable time.

In these circumstances, there is pressure on big depositors to play safe and put their money with another institution rather than risk the chance, however small, that they might not be able to remove their money at some later date. Chicago banks suffer an added disadvantage, in some observers' eyes, since they are felt to be more reliant on purchased money than many rivals because Illinois law preveats them from having an extensive branch network to collect the bulk of their deposits.

Consequently when First Chicago announced a fortnight ago that it would do no better than break even in its second quarter because of the need to set up a $51m after-tax reserve for losses on a little known investment in a Brazilian bank, it was the sort of shock that traders in the world's money markets could have done without.

First Chicago had only bought its 44.5 per cent stake in Banco Denasa in July 1984 and had already written down its investment in the bank in the first quarter of 1985. The bank had assets of less than $200m and when it ran into financial problems earlier this year First Chicago felt obliged to stand behind its Brazilian affiliate when the majority partner was unable to cover its losses. While it was a noble gesture, it has made First Chicago's management look rather stupid. "It appears that they were taken to the cleaners by a bunch of Brazilians," says one analyst.

Clearly, the news of the Brazilian debacle is a major embarrassment for First Chicago, but it does not appear to have caused any obvious adverse reaction in the world's money markets. The group's share price dipped a few points on the news but by last Tuesday, at $23.75, it was back to where it was before last October when the problems first surfaced.

Wall Street analysts, while upset by the recent setback, are convinced that First Chicago's problems are nowhere near as severe as those which led to the downfall of its big Chicago rival. Mr Lawrence Cohn, Dean Witter's bank analyst, stresses that First Chicago is "not another Continental Illinois" and says that he expects the group's earnings to "pop back up dramatically" in the second half.

Mr William McDonough, First Chicago's chief financial officer, says that last week's spate of rumours was "obviously unpleasant" but the bank continued to fund itself normally and did not suffer any nervous withdrawals. Unlike Continental Illinois which was having to raise upwards of $8bn a day of overnight money towards the end, First Chicago has a more diversified deposit base.

With some 23 per cent of its total balance sheet invested in liquid assets, only Bankers Trust has a higher short-term liquidity position than First Chicago. It also has a far greater amount of core deposits than is sometimes appreciated by foreign bankers, which is partly because First Chicago has traditionally been the biggest savings bank in Chicago. Mr McDonough says that First Chicago's core deposits – demand deposits plus domestic time deposits under $100,000 – match those of the New York money centre banks when seen as a percentage of its balance sheet.

First Chicago has also made great efforts to build up its relationship with big depositors and is not reliant on raising large chunks of its purchased funds through the money broking community. "We depend on around 3,200 sources of corporate funds in the U.S. and raise about 92 per cent of our domestic purchased liabilities through this direct marketing effort," says Mr McDonough. While this might be a more costly and less flexible way of raising deposits, Mr McDonough sees the great advantage in that First Chicago bankers are "dealing directly with the placers of funds and not working through the veil of a broker."

Like Continental Illinois, first Chicago raises much of its money overseas, but there the similarity ends. At the end of March $15.7bn of its $29.7bn of deposits were classified as foreign. However, Mr McDonough stresses that a lot of this money is placed by U.S. corporations with the bank's offshore branches and it strictly limits the amount of foreign money it raises through brokers and the interbank market.

Mr McDonough says that the bank's aet usage of the interbank market, money taken from other banks less money placed with banks, is normally kept to as low as 2 per cent of the group's balance sheet and be cannot remember it being more than 8 per cent.

While the money markets are prepared to give First Chicago the benefit of the doubt in the short term, the bank cannot afford to make any more costly mistakes. As Moodys, the U.S. credit rating agency said last month when it downgraded First Chicago's debt for the second time in less than a year, the Brazilian loss reflects adversely on the controls and procedures employed by the bank's management.

"First Chicago, because of the unpredictability of its performance, may experience some competitive disadvantages in its funding cost" says Moody's, which reduced its senior debt ratings from A1 to A3, the lowest of all money centre banks save Coatinental Illinois.

More important, it reduced the bank's commercial paper rating from prime-1 to prime-2. As some 90 per cent of all U.S. commercial paper is rated prime-1, the action could mean that First Chicago will have to pay more for its commercial paper.

Mr Gunnar Wessmann

Pharmacia chairman resigns

By David Brown In Stockholm

MR GUNNAR WESSMAN, chairman of Pharmacia, the Swedish pharmaceutical and biotechnology group, resigned unexpectedly after an extraordinary board meeting yesterday.

Mr Wessman, who has been with the company since 1980, strongly denied persistent reports of disagreements within Pharmacia over strategic planning and policy since Volvo, the motor and industrial group, took a large stake in the company.

He will be replaced at least temporarily by Mr Gunnar Hambraeus, a board member and chairman of the Royal Swedish Academy of Engineering Sciences.

Volvo's purchase of a large voting stake in Pharmacia last February was greeted as "a very positive" step towards the group's strategic planning by Mr Erik Danielsson, who became chief executive when Mr Wessman was named board chairman last year.

Volvo now controls directly and indirectly some 33 per cent of the voting power and is Pharmacia's largest shareholder. It is represented by its managing director, Mr Haakan Frisinger, on the 10-man Pharmacia board.

Buyer of BI-Invest stake 'is acting for Italian consortium'

BY ALAN FRIEDMAN IN MILAN

THE MYSTERY buyer who has built up a 47.8 per ceat stake in BI-Invest, the Bonomi family's financial, property and industrial group, disclosed yesterday that be had received an offer from "an important Italian group" to buy the share stake and therefore possibly take effective coatrol of BI-Invest. The buyer had spent an estimated L180bn ($93m) on the Milan Bourse by last night.

Consob, the Italian stock market watchdog, yesterday suspended trading in BI-Invest shares, after they reached a peak of L10,200, up by 12 per cent on the day and by 66 per cent since Monday.

Sig Francesco Micheli, vice-president of Finarte, an Italian art auction house, and also a director of Morgan Grenfell, the London merchant bank, yesterday identified himself as the "co-ordinator of the share buying operation."

Sig Micheli said he was acting for a consortium of top Italian investors who wanted to take coatrol of BI-Invest. "We believe that with 38m shares we now have a larger control of the company than the Bonomi family," be said. Sig Carlo Bonomi, BI-Invest chairman, holds 30 per cent of the shares for his family.

Sig Micheli disclosed that be bad yesterday received an emissary "from an important Italian group" which wants to buy the share stake be has built up over the last four weeks. Negotiations are understood to be under way.

A climax could come before BI-Invest has time to convene its July 22 meeting to ask for authority to buy shares in defence of the company. Sig Micheli, who said his consortium of mystery buyers were "top names, clean, people with ties and jackets," said his group's last share purchase was 4m shares on Tuesday. Yesterday the Milan bourse was full of speculation that the Bonomi family or its allies were frantically buying BI-Invest shares in an effort to overtake the holding of Sig Micheli's consortium.

While the Micheli group's 38m shares amouat to 47.8 per cent of BI-Invest on the basis of 79.42bn issued ordinary and saving shares, the stake would drop to 38 per cent if all the outstanding BI-Invest bonds in issue were converted to equity.

Carolina banks agree $307m merger deal

BY TERRY DODSWORTH IN NEW YORK

THE NCNB banking group of North Carolina, the largest bank in the south east of the U.S., is to merge with Bankers Trust of South Carolina in the third large-scale interstate transaction to be concluded within the last three weeks.

The deal, valued at $307m, involves the acquisition of the South Carolina group for $33.15 a share in cash, and 0.41 shares of NCNB stock for each of Bankers Trust's shares. After a $¼ rise in NCNB's shares on the New York Stock Exchange to $43¾ on Wednesday, this gives a total per share value for the offer of $51.

Banks in the south east of the U.S. are currently scrambling to form interstate alliances following a Supreme Court judgment which favoured regional amalgamations rather than national banking networks. Several states in the south-east have passed laws which open up their individual banking systems to banks in contiguous states on a reciprocal basis.

NCNB, based in Charlotte, was the 25th largest bank in the U.S. last year, with assets of $15.7bn. The merger with the South Carolina bank will push its assets up to around $17.5bn, maintaining its lead in terms of size over the two other recently announced groups.

The largest of these, formed by the Wachovia Bank of North Carolina and First Atlanta Corporation of Georgia, will have assets of $15.5bn, while the second, formed by First Union Corporation of North Carolina and the Atlantic Bancorporation of Florida, will have assets of $14.4bn.

Liquidation for Wheelock Maritime

By Our Financial Staff

WHEELOCK Maritime International, the loss-making Hong Kong shipping group, yesterday decided to put itself into liquidation.

The move followed its warning in March that it was in a "critical financial position" and the subsequent acquisition of a 50 per cent stake by Sir Yue-Kong Pao's Hongkong and Kowloon Wharf.

Sir Y. K. Pao inherited the holding when he took near-full control of Wheelock Marden, the trading house, after a protracted bid battle earlier this year. Although much of his own fortune has come from shipowning, he is believed to be keen to reduce his exposure to the industry.

His strategy is instead expected to concentrate on property investment and China trade.

INTL. COMPANIES and FINANCE

Improved results lift Paris bourse

By David Marsh in Paris

AN INDICATION of one reason for the strong showing of the Paris bourse over the last 18 months has come from figures showing a large increase in overall 1984 results from companies quoted on the stock exchange.

According to statistics from the Commission des Operations de Bourse, 60 out of a sample of 89 of the most quoted stocks improved their results last year. Out of this total, 20 companies increased profits by more than 50 per cent, while 22 registered earnings increases of between 10 and 50 per cent.

In the sample, 26 concerns recorded lower profits last year, while three turned into loss after making profits in 1983.

The stock market in Paris rose 55 per cent in 1983 and a further 16.5 per cent last year. After a 30 per cent rise in the first five months of this year, it has, however, since fallen back and is now entering what seems to be a long-awaited consolidation phase.

Share prices yesterday fell 1.1 per cent according to the stock exchange's "instantaneous" index, with the onset of the summer lull apparently cutting back supplies of new funds to the market, stockbrokers said.

Electrolux sells stake in Fermenta

STOCKHOLM – Electrolux, the Swedish home appliance group, has sold 80 per cent of its 20 per cent stake in Fermenta back to Mr Refaat El-Sayed, Fermenta's president and principal owner.

The transaction strengthens Mr El-Sayed's hold on Fermenta and moves Electrolux from second largest shareholder to sixth place.

The agreement will not affect the position of Mr Goetsa Bystedt, Fermenta's board chairman, who is also chief executive officer of Electrolux.

Mr El-Sayed has repurchased 1.05m class B unrestricted shares from Electrolux under an agreement signed between the two when Electrolux bought the block in 1984.

Mr Bo Hermansson, vice-president of Fermenta, said the exact selling price of the block is unknown, but he acknowledged the shares changed hands below their market value of SKr 375m ($42.9m).

The deal raises Mr El-Sayed's voting stake in Fermenta to about 79 per cent from 74 per cent. His shareholding rises to about 42 per cent from 30 per cent. Reuter

Rising imports hit Goodyear

NEW YORK – Goodyear Tire and Rubber, the largest U.S. tyre group, expects net income for the second quarter to be about 25 per cent below the $108.6m or $1.02 per share earned in the corresponding period a year earlier.

The company said a major cause for the reduction in income was the replacement tyre business, which is being severely hurt by reduced demand and an increased supply of imported tyres.

Other items affecting net income are start-up costs associated with the conversion from cross-ply to radial tyre production at the Tyler, Texas, plant; the effects of the now settled strike at Valleyfield, Quebec; and costs associated with restructuring of the company's Australian subsidiary. Reuter

Mannesmann forecasts rise

By Our Financial Staff

MANNESMANN, West German engineer, says there is a good chance that profits in 1985 could return to the levels of 1982 after two years of lower results.

Herr Josef Weisweiler, chairman, told the annual meeting the group would first have to adjust fully to the decline in profit in 1983 and 1984 before it could consider paying a higher dividend.

Last year, Mannesmann paid an unchanged DM 4 dividend and nearly doubled world group net profit to DM 188.5m ($62m) from DM 96m in 1983. In 1982, group net profit came to DM 280m.

Elf to settle Basic dispute

By Our Financial Staff

ELF-AQUITAINE has agreed to pay $85m plus interest to Basic Resources International (Bahamas) to settle all outstanding litigation between the two companies. The dispute, which has been running since 1982 and which centres on an oil venture in Guatemala, has involved several tribunals.

Basic is 33.7 per cent owned by Générale Occidentale.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 4.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amex Credit 10¾ 90	100	101⅞	102⅜	0	+0⅞	10.28
Amex Credit 12⅛ 88	150	106⅞	107⅜	0	+0⅝	9.93
Bank of Tokyo 13⅝ 91	100	113½	114	0	+0⅝	10.42
BP Capital 11⅛ 92	150	102⅛	102⅝	0	+0⅝	10.58
Caisse Nat Tele 13¾ 91	100	113¾	114¼	0	+0⅞	10.47
Canada 11½ 00	500	105⅝	106⅛	0	+0⅝	9.85
Canadian Pac 10¾ 93	100	101¾	102¼	−0⅛	−0¼	10.36
Canadian Pac 12½ 88	75	108⅝	109⅛	0	+0¾	11.21
CBS Inc 11⅞ 92	100	102⅝	103⅛	0	+0¾	10.77
Chevron U.S.A. 12¼ 89	600	106⅞	105⅜	0	+0⅝	10.06
Citicorp 11½ 95	150	101⅜	101⅞	0	+1⅜	11.21
Coca Cola 11¾ 91	100	106½	107	0	+0⅛	10.22
Denmark Kingdom 11¼ 90	100	103¼	103¾	0	+1¼	10.08
Denmark Kingdom 11½ 90	100	104⅝	105⅛	0	+2⅞	10.16
Denmark Kingdom 11½ 92	100	103⅝	104⅛	0	+2⅜	10.64
Denmark Kingdom 13¼ 91	100	111½	112	0	+1	10.55
Denmark Kingdom 14 91	100	110⅝	111⅛	−0⅜	+1	11.48
E.E.C. 11⅛ 90	100	105⅛	105⅝	0	+0⅝	10.12
E.I.B. 12 95	200	107½	108	0	+1	10.67
E.I.B. 13 95	200	111⅛	111⅝	0	+1⅛	11.15
Export Dev Corp 12 89	100	106⅜	106⅞	0	+0⅝	10.00
Ford Motor Cred 11⅞ 00	100	102⅝	103⅛	0	+0¾	10.52
Ford Motor Cred 11⅝ 95	100	102⅜	102⅞	0	+0¾	11.14
Ford Motor Cred 11¾ 92	100	102⅞	103⅜	0	+0⅜	11.05
Ford Motor Cred 12 00	100	105⅝	106⅛	0	+0⅞	10.96
Gen Elec Credit 10¼ 00	200	100½	101	0	+0¾	10.14
GMAC 10¼ 89	200	100¾	101¼	0	+1	9.92
IBM Credit 10⅜ 2000	300	101⅜	101⅞	0	+0⅞	10.14
Indust Bk Japan 12⅞ 89	100	109⅛	109⅝	0	+0¾	10.02
Japan Air Lines 13⅜ 94	180	118¾	120¼	0	+2¾	9.92
Kellogg Company 10⅞ 90	100	102⅝	100⅞	0	+0⅞	10.09
Kellogg Company 11¼ 92	100	104⅜	104⅞	0	+2	10.22
L.T.C.B. 12⅞ 01	100	105⅜	106⅞	0	+0⅝	10.37
Macy Cred Corp 11¾ 90	100	104¾	105¼	0	+1¼	10.46
Mellon Bank 13 87	100	105⅝	106⅛	0	0	9.80
Merrill Lynch 12¾ 89	100	105½	106	0	+0⅝	10.95
Minnesota 11½ 87	100	103⅜	103⅞	0	+0⅜	9.00
Mitsui Trust 11⅝ 00	100	103⅛	103⅝	−0⅛	+0⅝	10.71
Morgan Guaranty 12⅜ 89	150	106½	107	0	+0¾	10.30
Nippon Cred Bk 13⅞ 89	100	110⅛	111⅜	0	+0½	10.35
Nth America 12⅞ 91	100	† 105¼	105¾	0	+0¾	11.56
Penney J.C. 12¾ 91	100	107¾	108¼	0	−1⅛	10.88
Pru Realty secs 12⅛ 95	545	106⅝	107⅛	0	+0⅞	10.90
Quebec Hydro 11½ 92	100	104¾	105¼	−0⅛	+0½	10.47
Ralston Purina 11¾ 95	150	105⅜	103⅞	0	+1	10.78
Ralston Purina 12¾ 89	100	107⅝	108⅛	0	+0⅝	10.34
Royal Bk Can 12¾ 92 XW	100	102⅛	102⅞	−0⅛	+0⅝	12.14
Saskatchewan 10 3/4 92	100	101⅜	101⅞	0	+0¾	10.37
Saskatchewan 11 7/8 89	100	106⅝	107⅛	0	+0¾	9.82
Statoil 13½ 89	100	111¼	111¾	0	+0⅝	9.91
S Wales Trsy 11⅞ 00	150	105¼	105¾	0	+0¾	10.23
Swed Exp Cred 10 92	100	97½	98	0	+0¾	10.46
Swed Exp Cred 12¾ 88XW	100	107⅝	108⅛	+0⅛	+0¾	10.31
Sweden Kingdom 10⅞ 00	200	102½	103	0	+1	10.12
Sweden Kingdom 11½ 90	200	104⅝	105⅛	0	+0⅞	10.05
Sweden Kingdom 11¾ 94	100	106¾	107¼	0	+1¼	10.52
Texaco Capital 12⅝ 87	300	105⅞	106⅜	0	+1	9.56
Tokai Asia 11½ 95	100	103¾	104¼	0	+1	10.81
Victorian Rep 11⅝ 92	150	104⅝	105⅛	0	+0¾	10.57
World Bank 12⅛ 94	150	110⅛	110⅝	0	+1⅝	10.44
World Bank 12¾ 94	200	112¾	113¼	0	+1¼	10.58

Average price change On day 0 on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	104	104¾	+0⅜	+0⅞	7.22
Austria Republic 7⅝ 94	200	102¼	103	+0¼	+0⅛	7.04
Baxter Travenol 7¼ 94	200	101⅛	101⅞	0	−0⅛	7.00
Credit National 8⅛ 94	200	104½	105¼	+0⅛	+0⅛	7.33
Degussa Int Fin 7⅛ 94	100	102⅞	103⅜	0	−0⅞	6.97
E.E.C. 8 92	200	104⅛	104⅞	+0⅛	+0¼	7.10
E.I.B. 7¼ 94	300	100½	101	+0¼	+0½	7.23
Escom 8 92	150	99¾	100¼	+0⅛	−0¼	7.99
Ferrovie Dello Stato 8 91	100	102¾	103½	0	−0½	7.30
[illegible]						

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

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U.S. $400,000,000

BFCE

BANQUE FRANÇAISE DU COMMERCE EXTERIEUR

Guaranteed Floating Rate Notes Due 1997

Unconditionally Guaranteed by

The Republic of France

Shearson Lehman Brothers International

Crédit Lyonnais

Salomon Brothers International Limited

Bankers Trust International Limited — Banque Indosuez — Banque Nationale de Paris
Barclays Merchant Bank Limited — Caisse des Dépôts et Consignations
Commerzbank Aktiengesellschaft — County Bank Limited — Credit Suisse First Boston Limited
Crédit Agricole — Dresdner Bank Aktiengesellschaft — Enskilda Securities Skandinaviska Enskilda Limited — Generale Bank S.A.
Kidder, Peabody International Limited — LTCB International Limited
Manufacturers Hanover Limited — Merrill Lynch Capital Markets
Morgan Guaranty Ltd — Morgan Stanley International
Samuel Montagu & Co. Limited — The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International (Hong Kong) Limited — Orion Royal Bank Limited
Société Générale — Sumitomo Trust International Limited
Swiss Bank Corporation International Limited — S. G. Warburg & Co. Ltd.

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U.S. $200,000,000

General Electric Credit Corporation

(Incorporated in the State of New York, U.S.A.)

Extendible Notes Due May 21, 2000

Shearson Lehman Brothers International

Union Bank of Switzerland (Securities) Limited

Al-Mal Group — Bank of Tokyo International Limited — Banque Indosuez
Crédit Agricole — Credit Commercial de France — Crédit Lyonnais
Crédit du Nord — Daiwa Europe Limited — European Banking Company Limited
First Chicago Limited — Genossenschaftliche Zentralbank AG Vienna — Great Pacific Capital S.A.
Kyowa Bank Nederland N.V. — McLeod Young Weir International Limited
Mitsubishi Finance International Limited — Morgan Grenfell & Co. Limited
Nippon Credit International (Hong Kong) Limited — Nomura International Limited
Norddeutsche Landesbank Girozentrale — Den norske Creditbank — Société Générale

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U.S. $200,000,000

BANQUE INDOSUEZ

Floating Rate Notes Due 1997

Banque Indosuez

Shearson Lehman Brothers International

Daiwa Europe Limited

Arab Banking Corporation (ABC) — BankAmerica Capital Markets Group
Bank of Tokyo International Limited — Bankers Trust International Limited
Banque Bruxelles Lambert S.A. — Banque Nationale de Paris
Barclays Merchant Bank Limited — Berliner Handels- und Frankfurter Bank
Caisse des Dépôts et Consignations — Chase Manhattan Capital Markets Group
Commerzbank Aktiengesellschaft — County Bank Limited — Credit Suisse First Boston Limited
Enskilda Securities Skandinaviska Enskilda Limited — First Interstate Limited — Fuji International Finance Limited
Goldman Sachs International Corp. — E. F. Hutton International, Inc.
IBJ International Limited — Kidder, Peabody International Limited
LTCB International Limited — Merrill Lynch Capital Markets
Morgan Stanley International — The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International (Hong Kong) Limited — Nomura International Limited
Orion Royal Bank Limited — Postipankki — Saudi International Bank Al-Bank Al-Saudi Al-Alami Limited
Swiss Bank Corporation International Limited — Tokai International Limited
Union Bank of Switzerland (Securities) Limited — Westpac Banking Corporation
Yamaichi International (Europe) Limited

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

U.S. $450,000,000 Face Amount

(Principal Amount: U.S. $84,895,200)

American Express Company

and certain of its wholly-owned subsidiaries

Zero Coupon Notes Due 2000

Shearson Lehman Brothers International

Salomon Brothers International Limited

Barclays Merchant Bank Limited — Commerzbank Aktiengesellschaft — County Bank Limited
Crédit Lyonnais — Credit Suisse First Boston Limited — Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp. — Lloyds Bank International Limited
Merrill Lynch Capital Markets — Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd. — Orion Royal Bank Limited — Société Générale
Swiss Bank Corporation International Limited — Union Bank of Switzerland (Securities) Limited

INTL. COMPANIES & FINANCE

Toronto stock market dealers shun Cats in favour of human touch

BY BERNARD SIMON IN TORONTO

Terry Kirk

Trading floor of the Toronto Stock Exchange

THE UNCERTAINTY created by replacing men with machines is proving to be the main stumbling block in the Toronto Stock Exchange's efforts to expand its pioneering electronic share trading system.

The TSE is at an advanced stage in talks to supply software for its Computer Assisted Trading System (Cats) to the Paris Bourse, and is lining up potential customers in Australia and several other countries. But on its home base in Canada, the exchange is losing almost as many battles as it wins in its drive towards automation.

Mrs Barbara McAvoy, the exchange's data services director, observes that "floor traders have a strong lobby. Cats people are gaining more expertise and influence, but it's still not equal by any means."

She still predicts that all trades on the TSE will be computerised within the next 10-15 years, but for the time being the exchange's policy is to steer a safe middle course by recognising the existence of two "viable" trading systems and encouraging member firms to use both the floor and Cats. The exchange's move two and a half years ago to a brand new C$25m (US$18.4m) trading floor in Toronto's financial district is evidence that the traditional methods of share dealing are likely to remain in use for many more years.

The Cats system, a network of on-line order entry and information retrieval terminals, has chalked up some notable achievements since it was first installed eight years ago. With the exception of Tokyo (where prices are not determined by a true auction system), the Toronto Stock Exchange claims to be furthest advanced among the world's major bourses in electronic trading. Almost 800 of the 1,400 stocks listed on the TSE can be traded through Cats.

Canadian securities firms have installed 191 Cats terminals, including machines in the London offices of Wood Gundy and Loewen Ondaatje McCutcheon, two leading Toronto investment dealers. To get the system off the ground, the TSE has provided each member firm with one terminal.

The system accepts orders to buy and sell shares and all orders entered in a terminal are regarded as firm trading commitments. Buy and sell orders are automatically matched and executed, according to the best price and the order in which they are received. The TSE is currently working on a refinement that will guarantee a "fill" of orders up to 599 shares in any one of 28 listed companies.

Toronto also claims that Cats' technical performance has been superior to that of other computerised trading systems. General transmission failures kept Cats out of action for just 59 minutes in 1984, compared to three hours of downtime at the next most reliable system, that of the New York Stock Exchange.

Although more than half the companies listed on the TSE can be traded through Cats, the system accounted for a modest 20.4 per cent of trading volumes last May. The most heavily traded shares—arguably those best suited to a computerised dealing system — remain inaccessible to Cats' users.

Bell Canada Enterprises, Seagram and Canadian Pacific are among the blue-chip Canadian shares which continue to be traded solely on the floor of the TSE. Most of the 795 shares listed on Cats are inactive.

Some stocks have been taken out of Cats and returned to floor traders, while the TSE has turned down requests from a handful of companies to have their shares listed on Cats.

These limits reflect partly an instinctive fear among long-serving expert traders that a rapid expansion of computerised trading will cost them their jobs. As one trader at Dominion Securities Pitfield puts it, "It means only three guys looking after 500 stocks, rather than ten."

There is also a widespread feeling, even among those with some sympathy for Cats, that no computerised system can wholly match the advantages of face-to-face contact on the trading floor.

To pacify concerned floor traders, the Stock Exchange committee has agreed for the time being to retain the status quo for Cats and floor-traded shares. Unless there is a "compelling reason" to change.

More widespread use of automated trading thus depends for the time being largely on the allocation of newly listed issues to the Cats system. A selection committee set up two years ago makes the decision. Of about 100 new issues listed on the TSE last year, only 15 were given to Cats, but the system's protagonists were given a boost last month when the Calgary-based oil company Canterra, one of the newcomers on Cats, was the TSE's most heavily traded share on its first day of listing.

There are some signs that computerised trading is making more progress than the almost stagnant number of companies listed on Cats suggests. The number of approved Cats traders has doubled to 400 in the past three years. About half of them have come from the floor.

Refinements to the system's technical capabilities and a proposed study by the TSE showing that Cats cuts costs are expected to bring more support. It is difficult, however, to find many TSE members sharing Mrs McAvoy's confidence that TSE trading will be entirely computer-based by the end of the century.

INTL. COMPANIES & FINANCE

RUSH TO FORM INVESTMENT CONSULTANCIES

Wider role for Japan city banks

BY YOKO SHIBATA IN TOKYO

JAPANESE commercial banks have been flocking in recent months to establish investment advisory offshoots, in an attempt at gaining eventual access to the country'e lucrative pension fund market, from which they are currently excluded.

This followa a decision in March by the Ministry of Finance (MoF) to allow these "city" banks as well aa lifa insurance companies to set up investment consultancies, either individually or through joint ventures with domestie or foreign institutions. They will be allowed to advise on portfolio management and produce investment publications.

The new arrivals clearly hope, however, that the ventures will serve as stepping stones to a fully fledged trust business if the MoF at some point goes on to widen further the ranks of those allowed to manage corporate pension funds.

Japanese pension funds are growing rapidly: assets were estimated to have reached Y14,000bn ($56.4bn) by March and are generally expected to quadruple over the next 10 years.

Until last month the market was the exclusiva preserve of the country'a seven trust banks as well as 21 life insurance companies. Nine leading foreign banks have now been licensed to seek business in the sector.

The MoF has already approved applications for investment advisory ventures from four Japanese city banks—Fuji Sanwa, Mitsui and Bank of Tokyo—and more are awaiting clearance. The life insurers have joined the queoe too, anxious not to see their existing fund management business eroded.

The securities industry, which is also angling for entry to the pension fund business, has within it 17 investment consulting subsidiaries. These are currently stapping up their overseas operations, partly in order to accumulate expertise In international fund management.

Of the first four banks which received MoF clearance, Sanwa and Mitsui plan to establish wholly - owned investment advisory subsidiaries. Fuji is to share its business with its affiliates in the Fuyo industrial group and with 19 regional hanks, while Tokai will shortly launch Central Investment Advisory Company jointly with 12 group companies and 20 regional banks.

Among the most powerful in the field will be that launched hv Nipoon Life Insurance and Bank of Tokyo, which will also incorporate Daiwa Securities as an equity partner. Nippon Life, which has investment assets of some Y10,700bn, will take a 50 per cent stake in the new company along with an associate. Bank of Tokyo will have 30 per cent while Daiwa will absorb the remainder.

Sumitomo Bank and Mitsubishi Bank are planning to tie up with foreign financial institutions. Such an arrangement has already been secured between Long-Term Credit Bank of Japan and Baring Brothers, the UK merchant bank.

Life insurance companies can put to use their expertise in the management of medium- and long-term funds as well as skills in property investment. In addition to Nippon Life, the Sumitomo, Meiji and Asahi insurance houses are due to set np investment consultancies this month.

Belying its reputation for being highly protective, the MoF has heen keen to draw banks and life insurance companies into the investment advisory huainess.

This is aimed at bringing some order and security to what is currently a virtual free-for-all. Apart from regulations defining the scope of their own business which until Msrch coostrained the city banks aod life offices, no law currently exists to govern investment edvice operations.

Some 800 such companies exist in Jepan, and allegations heve become increasingly widespread that misappropriatioo of fuods is endemic. Toshi Journal, which was declared baokrupt lest August, is suspected of heving been used as a vehicle for defrauding about 10,000 small investors of a total approaching Y60hn.

Its cbeirman bes sought police protectioo followiog the murder last month of Mr Kazuo Nagai, the president of Toyota Shoji, wbere a gold bar investment scbeme is alleged to beve defrauded 20,000 depositors of Y200bn.

These two affairs have given rise to calls from tbose consultancies attached to the major brokerage bouses demanding legislation to control the iodnstry. This is now being drafted by the MoF.

Mr Sbogo Wetanahe, chairman of the Securities Business Association, said: "We hope the law will wipe out unscrupulous investment advisory companies."

The proposed legislation would require companies operating in tbe sector to register with the MoF. Registrations would be withdrawn for those who made exaggereted claims or engaged in dishonest operations.

DAIWA SECURITIES is to become the first Japanese brokerage bouse to seek fund management husiness in the U.S. through the establishment of a trust company offshoot, our Financial Staff writes.

The company is planned to evolve in October from Daiwa International Capital Management, its existing investment advisory service. It will be based in New Jersey and seek the husiness of U.S. pension funds. An initial $220m is already under management, a sum said by Daiwa to be the largest entrusted to a Japanese company in the U.S.

The move is in the opposite direction to those made this year hy American and European institutions into Japanese pensions husiness.

Offer by Australian Pru

BY LACHLAN DRUMMOND IN SYDNEY

PRUDENTIAL Assurance in Australia has launched an A$46.6m (U.S.$ 31.2m) bid for Network Finance, a property lending and development group in which it already holds a 20 per cent stake.

Network's directors have advised shareholders not to sell while Hooker Corporation, its 32 per cent shareholder, has said it views its holding as a long-term investment and that it will not sell at the bid price of A$3.15 a share.

The other major shareholder, with 28 per cent, is Mellon National Bank of the U.S.

The bid from the Pru requirea approval of the country's Foreign Investment Review Board, hut the Pru will be arguing that as the parchase will be on bebalf of Australian policyholders' funds, it sbould not be counted as foreign.

The Pru, with Australian funds totalling A$1.11bn, ranks as the fifth largest life company in Australia.

Network had total assets at last December of A$117m and earned net profits of A$3.4m for its year to June 1984.

Myer secure against bid

BY OUR SYDNEY CORRESPONDENT

MYER EMPORIUM, the Australian retail gronp, has been secured against potential unfriendly takeover moves with the emergence of Westfield Holdings, as the owner of a 10.6 per cent stake after an A$77m (U.S.$51.5m) market buying exercise.

The protective move from Westfield, a property group which counts the Myer retailing empire as its main tenant, caps an eventful month of share market action which has seen FAI Insurance boost its Myer stake from around 5 per cent to 9 per cent, fuelling takeover speculation.

Along with Myer family interests and shares held by directors, the Westfield purchase takes the friendly block of shareholdings to around 50 per cent.

Recent huying has pushed Myer's share price up from around A$2 to the peak A$2.75 per share paid yesterday, which valued the group at almost A$800m.

The Australian Industry Development Corporation

(A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia)

U.S. $100,000,000

11⅞ PER CENT. NOTES DUE 1990

NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(b) of the Notes, Citibank N.A. as Fiscal Agent, has selected by lot for redemption on August 5, 1985 US$10,000,000 principal amount of said Notes at the redemption price of 101% of the principal amount thereof, together with accrued interest from February 28, 1985 to August 5, 1985 (154 days). The value of each Note is US$5,050 plus interest of US$258.94 total US$5,308.94. Outstanding Bonds bearing serial oumbers ending in any of the following two digits have beeo selected by lot for redemption:

05 14 23 27 52 66 78 80 97 99

Payment will be made opon surrender of Notes together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Notes. On and after August 5, 1985 ioterest on the Notes will cease to accrue and unmatured coupons will become void.

Outstanding after August 5, 1985 US$90,000,000.

July 5, 1985
By Citibank, N.A. (CSSI Dept.)
London Fiscal Agent

CITIBANK

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing	Premium/ Gearing Ratio
CASIO 6/3/89	42.50	44.00	1,650	10.77	2.85	3.79
C ITOH 4/5/89	35.00	36.50	447	6.30	3.31	1.90
C ITOH 20/1/87	48.00	61.00	447	18.69	2.36	7.92
FUJIKURA CABLE 28/4/89	6.50	10.00	332	29.34	7.83	3.75
HAZAMA GUMI 1/11/89	7.00	8.50	331	54.06	8.29	6.53
J S R 28/4/89	7.00	8.50	375	29.41	9.08	3.24
JUSCO 22/12/88	74.00	78.00	830	24.04	1.81	13.27
KAYABA 15/2/89	15.00	16.50	325	10.11	6.15	1.64
KUMORI PRINT 20/12/89	18.00	19.50	2,200	11.16	5.53	2.02
MARUZEN 12/2/90	10.50	12.00	565	17.40	8.33	2.09
MINEBEA 20/2/89	36.00	38.00	630	69.11	2.07	33.38
MIT CHEM 20/1/87	91.00	95.00	502	29.85	1.51	19.79
MIT CORP 7/11/88	32.00	33.50	670	0.88	3.81	0.23
MIT GAS 20/3/89	23.00	24.50	400	3.47	4.55	0.76
MITSUI E/S 15/10/88	10.50	12.00	169	12.02	7.93	1.52
MITSUI E/S 10/12/87	28.00	30.00	169	11.09	3.95	2.81
MIT METAL 10/2/89	80.00	85.00	640	38.32	1.53	25.[illegible]
MIT METAL 10/11/89	11.00	12.50	640	23.36	7.15	3.27
MITSUI PET CHEM 15/2/90	28.50	31.00	444	10.67	3.99	2.68
NIPPON MIN 17/3/89	89.00	93.00	454	28.17	1.54	18.24
NIPPON MIN 15/6/90	18.00	15.50	454	25.27	4.95	5.10
NISSHO IWAI 1/2/88	12.50	14.00	294	9.28	7.12	1.30
NOMURA 31/10/88	80.50	82.00	1,320	1.04	2.13	0.49
OHBAYASHI GUMI 5/4/89	45.00	48.00	323	15.39	2.51	6.13
OMRON TATEISHI 31/3/89	6.00	5.50	1,480	69.91	6.21	11.26
ONODA CEMENT 10/4/89	34.00	37.00	356	−1.78	3.54	−0.50
ONODA CEMENT 28/2/90	14.50	16.00	356	14.19	6.65	2.13
OPTEC DAI-ICHI 23/2/90	17.00	18.50	700	10.70	6.05	1.77
OSAKA TRANSFORMER 29/1/90	11.50	13.00	485	19.13	7.49	2.55
RENOWN 24/1/89	10.00	11.50	706	23.88	7.48	3.20
RYOBI LTD 25/5/90	11.50	13.00	425	10.45	7.96	1.31
SEINO TRANSPORT 17/3/88	8.50	10.00	1,030	22.98	8.12	2.83
SEIYU STORES 20/3/87	54.00	56.00	718	39.78	1.92	20.75
SONY CORP 28/4/90	15.50	21.00	4,130	30.21	4.55	6.65
SUMI CONSTRUCTION 24/3/89	42.00	45.00	231	25.31	2.43	10.43
SUMI HEAVY 24/2/89	12.00	13.50	240	5.20	7.62	0.68
SUMI REALTY 21/11/89	61.50	63.00	863	−1.42	2.62	−0.5[illegible]
TOKYO ELECTRIC 14/3/89	6.50	6.00	1,030	47.35	8.71	5.44
TOKYO SANYO 8/6/87	148.00	153.00	734	52.32	1.08	48.48
TOKYU CORP 29/1/90	41.00	42.50	429	7.23	3.20	2.26
TOKYU DEPT 20/7/90	17.00	18.50	515	15.79	5.58	2.83
TORAY 6/3/87	15.50	17.00	490	8.26	6.06	1.[illegible]
TOYO ENG 28/2/89	54.00	56.00	720	48.85	1.81	27.01
YAMAMURA GLASS 8/5/90	11.00	12.50	516	28.07	7.08	3.95
YAMATO KOGYO 29/1/90	7.50	8.00	546	23.24	10.13	2.29

Reuters Monitor DABF/G/H/I/J · Further information from: Freddy Glock, Simon Gamse or Beverly Kelly on 01-248 8080
Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

NOTICE OF REDEMPTION TO THE HOLDERS OF

ECU 40.000.000
THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.V.
11 1/2 % GUARANTEED BONDS DUE 1993

NOTICE IS HEREBY GIVEN that pursuant to paragraph 6(b) of the Terms and Conditions of the above Bonds and in conformity with the Fiscal Agency Agreement dated as of 9th August 1983, ECU 4.500.000 io principal amount of the above Bonds will be redeemed on 9th Aogust, 1985, at par (the redemption price) together with accrued interest thereon to said redemptioo date.

The drawing has taken place on 19th June, 1985, in Luxembourg.

Serial numbers of the Bonds to be redeemed are set forth below on groups from one number to another number, both inclusive:

00180-00279	00952-01151	01169-01268	02404-02503
03214-03313	03756-03855	04392-04491	05858-06057
07501-07600	08070-08169	08351-08450	10324-10423
10890-10989	11346-11445	12901-13000	13365-13464
13527-13626	13725-13924	14786-14885	16236-16335
18206-18305	18627-18726	19108-19207	19443-19542
20466-20565	21692-21791	22048-22147	25039-25138
26658-26757	27033-27132	27544-27643	28136-28235
29484-29583	31880-32079	34307-34406	34615-34714
35281-35380	36027-36126	36961-37060	38515-38614
39268-39367			

Amount outstandiog after 9th August, 1985: ECU 35.500.00.-

Interest on the Bonds to be redeemed will cease to accrue oo the redemption date. On such date the redemption price will become due and payable on each of said Bonds and payment therefor together with accrued interest will be made at any one of the following paying agents: the office of Société Générale Alsacienne de Banque, Brussels branch, the office of Société Générale, London branch, the office of Credit Suisse, Zurich and the office of Société Générale, Paris upon presentation and surrender of said Bonds with all coupons attached maturing after said redemptioo date. In the event that any such coupon is not so attached, the amount of said coupon will be deducted from the redemption price.

Coupons which shall mature on, or shall have matured prior to, said redemption date should be detached and surrendered for payment in usual manner.

THE INDUSTRIAL BANK OF JAPAN / FINANCE COMPANY N.V.

BY SOCIETE GENERALE ALSACIENNE DE BANQUE
15, AVENUE EMILE REUTER, LUXEMBOURG
THE PRINCIPAL PAYING AGENT

CENTRAL BANK OF NIGERIA FLOATING RATE NOTES DUE 1986/90 TO BE ISSUED IN RESPECT OF OUTSTANDING TRADE DEBT

In accordance with the Terms and Conditions of the Notes, notice is hereby given that in respect of the Interest Period from July 5 to October 7 1985, the Rate of Interest has been determined at 8¾% per annum.

London, July 5, 1985
THE CHASE MANHATTAN BANK N.A.
FISCAL AGENT

CHASE

ALLIED IRISH BANKS LIMITED
U.S.$60,000,000
Floating Rate Notes due 1987

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next 6 months' Interest Period has been fixed at 8¼ per cent per annum. The Coupon Amounts will be US$42.17 for the US$1,000 denomination and US$2,108.33 for the US$50,000 denomination and will be payable on 8th January 1986 against surrender of Coupon No. 12.

5th July 1985
Manufacturers Hanover Limited
Agent Bank

UK COMPANY NEWS

Ladbroke ventures into the U.S. hotel market

Ladbroke Group is continuing its expansion in the hotel field, this time in the U.S., with the $13m (£10m) cash acquisition of **Rodeway Inns International**, a franchise organisation based in Dallas.

Rodeway has 138 hotel franchises in the U.S., Mexico and Canada and directly manages six other hotels. Ladbroke already owns 60 hotels in the UK and Europe. The combined total puts the group firmly among the group's top 20 hotel chains although far short of the likes of Holiday Inns, Sheraton and Trusthouse Forte.

The $13m, which is "subject to adjustments," will be paid in two slices, $6m immediately and $7m deferred over three years without interest. The vendor, a private individual, will also receive payments equal to 12.5 per cent of adjusted profits on present activities over the next five years.

In recent years Ladbroke has added to its basic chain with the purchase of Mercury Motor Inns (Leisure and General), Myddleton Hotels and, most recently, Comfort Hotels.

The Rodeway properties are generally popular family/middle executive business properties on Holiday Inn and Howard Johnson lines, and are similar in style to the group's Comfort properties. Ladbroke said last night, however, there were no plans for name changes.

Ladbroke had made the purchase because "Rodeway is a strategic purchase taking us, at

Mr Cyril Stein, chairman

low cost and little risk, into the U.S. which accounts for as much at 24 per cent of the world's lodging market," according to the Ladbroke Hotels chairman, Mr John Jarvis.

He said Ladbroke would expand the franchise network rapidly and also add to the number of management contracts. The Rodeway reservations system in Omaha would be a considerable asset in marketing Ladbroke's European properties. A Ladbroke Hotels director, Mr John Wilson, will go to the Rodeway headquarters in Dallas, Texas, as chief executive.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals:— Bridgend Processes, Jacksons Bourne End, Thorn EMI.

FUTURE DATES

Interims:—

Denmans Electrical	July 15
Imperial Chemical Industries	July 25
STC	Aug. 6

Finals:—

Caskot (S.)	Sept. 25
Hambro Trust	Aug. 6

Macallan in £6m rights issue

BY STEFAN WAGSTYL

WHISKY DISTILLER Macallan Glenlivet is asking shareholders for £6m with a rights issue of convertible unsecured loan stock to help the company lay down bigger stocks of whisky.

The group needs the money because it is increasing sales of its single malt "The Macallan," which needs to be kept to mature for anything up to 18 years.

In common with other malt whisky distillers, Macallan is looking to old malt whisky sales to compensate for a decline in demand for young whisky from the large blending companies.

The company forecasts reduced profits for 1985 of £550,000 pre-tax, against £760,000 last year. Profits are expected to fall because while bottled malt profits are rising, and those from new filling (young whisky) are static, there will be no contribution from sales of mature whisky to the blenders. The company is holding on to its stocks because prices are poor.

Moreover, interest charges have risen because bank borrowings have funded the company's higher whisky stocks. The rights issue is expected to wipe out these debts totalling some £5.8m.

The group is forecasting an interim dividend of 1p and a final payout of 2.34p, making a total of 3.34p (2.8p).

The group says that the market for malt whisky (which is about 2 per cent of total world sales of whisky) has grown at a compound rate of 10 per cent a year for the last decade. It is the market where the highest profit margins are achieved.

The Macallan, which sells for about £15 a bottle, will continue to increase its share of the top end of the malt market, says the board.

Apart from costs of holding stock, the company has to buy expensive sherry-wood casks and pay for heavy promotional and advertising campaigns.

The 6.25 per cent convertible unsecured loan stock 2005 is offered on the basis of £1 for every ordinary share. The stock may be converted between 1988 and 2004 at a price of 350p per share. Macallan shares closed unchanged yesterday at 335p.

Common Bros. reconstruction

Common Brothers, the troubled shipping group, has agreed in principle a financial reconstruction which converts approximately £18m of debt into equity.

Dealing in the company's shares were suspended at 35p on June 5 when the reconstruction discussions were announced. That compared with a price of 112p last November before it revealed a £17m write-off on a drilling ship which helped push it into a loss of £20.1m in the year ending June 1984 against a previous profit of £2.2m.

Other details of the reconstruction include: The group's principal lenders will provide additional working capital up to £800,000; the majority of guarantees and counter-indemnities by Common Brothers will be released; Norex will transfer its remaining 20 per cent interest in Iro Frigg to Common Brothers for $1 and will convert $10.7m of its loans—totalling $12.7m—into equity.

The number of ordinary shares has been increased from 6m to 60m. Four banks—including the Midland and Hambros—will take a 40 per cent stake in the increased share capital and the Norex Corporation, which held about 55 per cent of the existing shares, will continue to hold just over 50 per cent.

In addition, charter obligations on three ships—which have been costing the company £2m a year—have been cancelled.

The reconstruction will allow the group to continue operating its main businesses—principally the Bahama Cruise Line and the *Iro Frigg* drill ship.

Mr Simon Hume-Kendall, a director of the Newcastle upon Tyne-based company, said: "This is a new day. The company is now on a much more solid basis." He added that the Iro Frigg has still not found work but remained hopeful of an imminent contract. The shareholders are expected to approve the deal at the end of the month.

The Norex Corporation is a Bermuda-based company controlled by trusts owned by Mr Kristian Siemm. The Common family owned about 10 per cent of the previous share structure.

London and Overseas Freighters, which said last month it was taking to banks about further financial help, has sold two ships for $8.4m (£6.4m) to help cut its debts of more than $50m. This leaves it with three tankers.

The tankers sold were the London Enterprise, which LOFs has been trying to sell for some time, and the London Glory, both of 139,000 deadweight tons. The book value for $13.4m.

LOFs said last month it was talking with banks on a possible restructuring of its finances. It raised £8.6m through a rights issue last year.

The annual meeting next Wednesday will consider if measures are needed "to deal with the situation that has arisen by reason of the fall in the net assets of the company to half or less of the amount of the company's called-up share capital."

THF to launch Little Chef hotel chain

Trusthouse Forte is to launch a new hotel chain in Britain under the name Little Chef Lodge. Basic budget accommodation will be built beside present Little Chef restaurants offering rooms at £19.50 single and £24.50 double a night.

The first of the new properties will open at Barton-under-Needwood in Staffordshire in the autumn. By the end of next year THF hopes to have six lodges in operation. It has 220 Little Chef roadside restaurants.

According to Mr Rocco Forte, chief executive of THF, "there is a definite need to care for the overnight traveller for whom cost is the primary consideration."

Each Lodge will have 20-40 rooms, with private facilities, heating, one double bed and one single bed, colour television and coffee/tea making facilities.

Ward White takes 12.4% Maynards stake for £2m

BY ANDREW ARENDS

Ward White, the Northamptonshire-based shoe retailer, announced yesterday that it has over the past few weeks, built up a 12.4 per cent stake, via a subsidiary, in Maynards, the confectionery manufacturer and toy retailer at a cost of around £2m.

Ward White said yesterday that the purchase of 675,000 Maynards shares merely represented an investment in an interesting company. "At the moment we have no plans to launch a full bid," the company added.

However, on news of the Ward White stake Maynards shares rose 10p to 350p valuing the group at around £19m while Ward White shares remained unchanged at 286p.

In 1984 Maynards successfully fought off a £6.3m partial takeover bid from Mr Lewis Cartier, Since then the group has been in the process of reorganising its activities. It has shed its confectionery, tobacco and newsagent shops as well as closing a confectionery manufacturing plant in Sussex.

In the latest financial statement the company reported pre-tax profits of £1.53m for the six months to February, on turnover of £24m.

In April Ward White reported pre-tax profits of £14.31m for the year ended January 31, a 63 per cent increase on the previous year's figures. Turnover was £244.6m.

In March, Ward White dropped its £97m offer for Foster Brothers Clothing in the face of a £115m agreed offer from Sears Holdings, one of Britain's largest retailers.

Bristol Oil in red as accounts are qualified

By Stefan Wagstyl

Bristol Oil and Minerals, the troubled oil finance house formerly known as KCA International, has had its accounts for 1984 qualified by its auditors, Price Waterhouse.

A previously reported unaudited attributable profit of £3.2m has been turned into a loss of £3.8m following write-downs and provisions totalling £7m—the group is in the throes of a programme of asset sales designed to reduce borrowings.

Mr Paul Bristol, the chairman and chief executive, said that Price Waterhouse had qualified the accounts, by saying that they had been prepared on the basis that the bankers would continue to give their support and that certain asset sales would be completed.

The group's net debts were about £12m against shareholders' funds of £13.6m, said Mr Bristol. And the company had the financial

Mr Paul Bristol, chairman . . . denies disagreement with the auditors

resources to fund continuing activities, which were developing oil and gas interests in Indonesia, the U.S. and the North Sea.

He denied that there had been any disagreement between the company and its auditor.

As restated, the company's loss before extraordinary items was £6.1m, against a £2.5m loss for 1983, on turnover of £13.1m (£17.6m). After a £2.3m extraordinary profit (£1.3m loss), the attributable loss was £3.8m (£3.8m loss).

The list of write downs and provisions includes a £2.8m write-off in full of oil exploration costs in Dubai, £1.5m on a barite mill in China, £1.25m on a U.S. oil rig and £0.7m on interests in the Dutch North Sea.

Following the sale in 1983 of KCA Drilling Group, Bristol, has concentrated its resources on oil exploration and production, particularly in Indonesia.

It is now trying to sell companies in the BW Mud group, and its financial services company, Mondial Holdings, which owns 50 per cent of a H. Pitman, a Lloyd's insurance broker.

The shares closed yesterday at 22p, down 1p. The company says its net asset value at the year end was 32p a share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bertam Hldgs	1.25	Aug 21	0.88	1.25	¶0.88
Daejan Holdings	8	Sept 5	9.63	13	12.5
Equity Consort	7.7	—	7.18	11.2	10.33
Greene King	3.33	—	2.92	4.87	4.35
Norbain‡	1.2	—	1	1.2	1
Alex Russell	0.94	—	0.72	1.33	1.77
Scottish and Mercantile	10.5	—	5.7	14	7.7
Zygal Dynamics‡	nil	—	0.75	nil	0.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For nine months.

UK COMPANY NEWS

Greene King improves to £9.65m

SECOND HALF pre-tax profits of Greene King & Sons, brewer, increased from £5.32m to £5.97m and lifted the year end figure to £9.65m, compared with £8.76m last time.

Group turnover for the 12 months to April 28 1985 advanced from £74.22m to £80.23m, the first six months showing a rise from £36.82m to £39.71m.

After a tax charge, up from £3.54m to £3.72m, earnings per 25p share are shown as 14.3p, compared with 12.6p, while the total dividend is lifted to 4.87p (4.35p) with a final distribution of 3.33p (2.92p).

Last December the directors said that the group had continued its steady growth during the first half and that although trading conditions remained competitive, they were confident they would be able to report a profit growth for the year.

They now sey that the start of the current year has been encouraging and that the company remains confident of the prospects for the business.

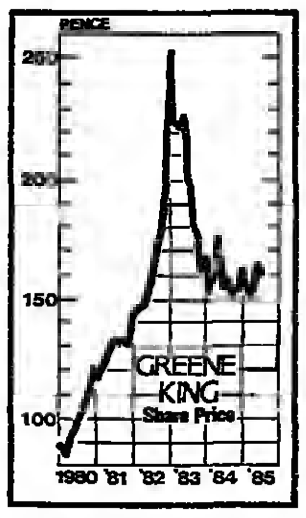
Tha directors state that although the company has taken steps to cut costs, "its attitude is forward looking in expanding interests by increasing investment."

The company, they say, has taken opportunities to purchase and build naw pubs and to keep plant up to date. This commitment has resulted in capital expenditure of £6.7m which has come entirely from cash flow.

The company has so far anthorised capital expenditure of £5.9m in the current year, £3.2m of which will be directed at improving and expanding, the directors explain.

They say that wholesaling and retailing of beer will remain the mainstay of Greene King's profitability, but since the year end it has diversified its interests into tha sports and leisure sector by subscribing for 75 per cent of Sports Nationwide.

There were extraordinary credits of £2.42m for the period, compared with £224,000, while last year there was a special provision for deferred tax of £919,000.



● comment

Greene King's profit was at the top end nf forecasts but the market clearly regarded it as unremarkable and left the share price unchanged at 160p. This is easily understandable, for excitement tends not to be a feature of Green King's performance. Last year it was a case of a little bit on margins, a little bit of cost-cutting and a little bit of growth through acquisition. This year is likely to see more of the same. Green King lacks the big brewers' scope for profits growth through major cost-cutting and has no plans for an aggressive build and buy strategy such as that adopted by Wolverhampton & Dudley. True, there is tha interesting diversification into Sports Nationwide, but this is a relatively small veoture and Greene King does not see it as a dramatic departure. The group is trading on an historic p/e ratio of 11: it is an average rating for an average brewer, and one can easily sympathise with those who wonder why they should invest in this nne when there are several more exciting npportunities in the sector.

Norbain progresses to £1.1m

Norbain Electronics continned to progress in the sacond six months and for tha full 1984-85 year raised its profits before tax from £664,000 to £1.11m.

And with earnings emerging 2.52p higher at 9.5p the dividend is being stepped np by 0.2p to 1.2p net per 5p share.

In the current year sales and orders are running at a significantly higher level and the directors are confident of a satisfactory full-year outturn.

For tha past year, to end-April 1985, group turnover rosa from £9.1m to £13.79m, an increase of 51 per cant. The rate of growth was in line with the directors' expectations and all subsidiaries contributed to tha improvement.

Tax accounted for £474,000, against a previous £213,000, to leave net profits at £631,000, compared with £450,000—last year minorities also took £19,000 and extraordinary debits £22,500.

For tha opening six months the group, a distributor of electronic components, saw its profits before tax rise from £275,000 to £535,000 and with orders and sales running ahesd of the previous year the directors believed that the then current opportunities should enable Norbain to achieve encouraging results for the full year.

They say now that in accordance with the gronp's objective of achieving soundly-based long-term growth, material investment was made, particularly in sales and marketing personnel in the second half of the year, the benefits of which will be seen in 1985-86.

The group obtained a listing on the USM in February 1984.

Bertam profit exceeds £1m

Bertam Holdings, a holding company formed following tha reorganisation of Bertam Consolidated Rubber Company in line with Malaysian Government economic policy, has announced pre-tax profits of £1.09m for 1984, compared with £688,000 for the nine months to end-1983.

A single final dividend of 1.25p is being paid, against 0.875p. Earnings per 10p share are shown as 3.02p (1.57p) pre-extraordinary items, and 3.6p (1.93p) after. For the nine-month period they are 2.09p before, and 2.57p after extraordinary items, on an annualised basis.

Turnover amounted tn £1.93m (£1.33m) and the pre-tax figure was struck after distribution costs of £129,000 (£141,000), administrative expenses of £177,000 (£121,000), and a loss on the disposal of tangible fixed assets of £4,000 (£1,000).

It included income from fixed asset investments of £208,000 (£106,000), and interest receivable and similar income of £110,000 (£103,000).

Also included in the pre-tax result was £61,000 (£14,000) gain on the sale of fixed asset investments and £357,000 (£194,000) being the share of related companies' profits.

Tax totalled £488,000 (£385,000) and there was an extraordinary credit of £115,000 (£72,000) being the surplus from compulsory acquisition of land £9,000 (£64,000), and the surplus on the sale of property £133,000 (nil). The tax on this was £40,000.

Professional expenses in connection with Malaysianisation amounted to £14,000 (£15,000), and there were surpluses arising from the compulsory acquisition of land and buildings by the related company of £31,000 (£27,000). Tax on this was £4,000 (£3,000). Sundries last time took £1,000.

Surge at Scottish and Mercantile

Despite sharp rises in both interest and administration expenses Scottish and Mercantile Investment raised its attributable profits from £314,000 to £691,000 in the year to March 31, 1985.

Earnings improved by 7.85p to 14.07p and a final dividend of 10.5p lifts the total from 7.7p to 14p net per 25p share.

At year-end net asset value per ordinary and A non-voting ordinary stood at 447.3p, an improvement of 42.9p. At June 25, 1985 the value amounted to 449.5p.

For the past year income from investments rose to £2.1m (£904,000) and interest receivable to £91,000 (£79,000). Other operating income added £8,000 (£45,000).

Interest payable accounted for £424,000 more at £621,000 and administration expenses took £530,000, against a previous £297,000.

Pre-tax profits came through almost doubled at £1.05m (£534,000) but tax rose to £306,000 (£185,000) and minorities to £56,000 (£34,000).

Higher interest rates during the year, together with higher yields from long-term investment, helped to improve profitability before tax.

Exceptional non-recurring professional fees of £317,065 were incurred, but the directors do not expect any further such fees will occur in the current year.

Zygal depressed by strong dollar and competition

Zygal Dynamics, which has seen its share price languishing at a low of 18p, yesterday disclosed that it nperated at a loss in 1984-1985 and shareholders are to go without a dividend.

Action has been taken since the March 31 year-end to sharpen the sales effort and reduce costs but a continued weak market has led to further losses in the traditionally dull first quarter of the current year, says Mr C. Driscoll, tha chairman.

However, he says that given a modest improvement in trading, Zygal, which sells and services computer printers and terminals, should show a return to profitability later in the year.

The outcome for 1984-85, a pre-tax los of £230,000 compared with a profit of £347,000 previously, would have been much better but for significant losses incurred by the terminal products side, says Mr Driscoll.

Losses in this field were due, he says, to problems created by the strong dollar and increased competition to sales of Diablo products.

Elsewhere, sales of Fujitsu printer prodncts have been encouraging and there was a steady improvement in modular technology which had been the major cause of a £182,000 taxable loss in the first half.

Turnover in business systems operations more than doubled to £1.98m and the group benefited from an improvement in availability of convergent technologies systems during the second half.

Zygal Services' contract maintenance income increased, helped by the inclusion of convergent technologies equipment, although a reduction in sales of spares led to turnover overall for the year being static.

Total turnover for 1984-85 amounted to £5.88m, against £5.2m, but with expenses up from £1.5m to £2.15m the group incurred an operating loss of £77,000 against a profit of £402,000.

The taxable result was struck after higher interest payable of £103,000 (£55,000) and an exceptional debit this time of £50,000.

The loss per share was shown as 3.5p, compared with restated earnings of 6.8p in 1983-84 when a single final dividend of 0.75p was paid by this USM stock.

Greenwich Resources SE listing

By Stefan Wagstyl

Greenwich Resources is seeking to raise funds on the London Stock Exchange to develop a gold mine in the Sudan.

The company, which is listed on the Toronto Stock Exchange, is planning a London listing later this month and a rights issue. Its present market capitalisation is £13.8m.

The funds raised will help start gold production at the Gebeit prospect in the Red Sea Hills, where the company has a 49 per cent-owned joint venture with the Sudanese government.

Mr Stanley Eskell, managing director, said that production would probably start by the end of this month. The company also wanted funds for further exploration and exploitation planned in the Sudan, Egypt and in Venezuela.

The Gebeit mine was opened more than 3,000 years ago for the Pharaohs of Egypt, and was mined by the Greeks and the Romans. Greenwich says it contains 207,000 ounces of gold, which would be worth about $60m.

Greenwich Resources was established by geological consultant Robertson Research, which retains a 20 per cent stake.

Lazard invests in leisure boom

By William Dawkins

Lazard Brothers, the merchant bank, is seeking to raise between £5m and £12.5m for a venture capital fund to invest in unquoted companies in the leisure industry.

Lazard Leisure Fund is to be established as a tax-exempt unauthorised unit trust, and is seeking minimum subscriptions of £100,000 from institutional investors. Its advisers will be Lazards venture capital offshoot, Development Capital Group and Aspect Leisure, a leisure industry management group and developer.

The fund may come back for further subscriptions at a later date, but will not raise more than £15m in total and will be wound up at the end of 1995. It will be looking for early stage and established leisure businesses with substantial asset backing.

Industry figures cited by the managers suggest that more than £52bn was spent on leisure in the UK last year—25 per cent of all consumer spending—a figure which is projected to rise above £83bn by the end of the decade. The managers estimate that 95 per cent of British leisure companies are unquoted.

They are currently reviewing several investment propositions, including a recreation park project looking for £3m to get off the ground, a marina near the Solent looking for £1.2m for expansion and a seven-year-old leisure wear compaoy.

● Merchant bankers N. M. Rothschild and Sons have raised £10m from 30, mainly pension fund, subscribers for their latest veoture capital fund, New Gourt Ventures.

The fund aims to be fully invested in 30 to 40 established but unquoted UK companies or maoagement buy-outs over the next two years. There will be no industry specialisation.

It will be mansged by Rothschild Ventures, which was set up in May 1984 to co-ordinate the bank's unquoted investment management activities. Rothschild Ventures already has more than £8m under management in 40 unquoted companies for pension fund clients.

UK COMPANY NEWS

Alexander Russell down as expected

WITH THE miners' strike affecting both half years Alexander Russell saw its profits before tax fall from £2.02m to £955,000 for the full 1984-85 year.

However, the results confirmed the estimate given by the directors last April at tbo time of the preferenc share rights issue and shareholdors will receive the promised finsl dividend of 0.94p for a total up from 1.11p to 1.33p net per 10p share.

Profits for the opening six months were down from £1.28m to £607,000 but with the consolidation of Springbank into the quarry division and the coal business back on to a more normal basis the directors looked to 1985-86 for a resumption of the group's profits growth.

For the year under review, to March 31, 1985, turnover fell from £25.37m to £22.32m—the group distributes building supplies and is also engaged in quarrying and coal recovery.

Trading profits dived from £2.13m to £1.01m before taking account of a £50,000 (£106,000) provision for the omployee share schemo.

Tax accounted for £420,000 (£400,000) and minorities for £15,000 (£6,000). Earnings per share fell by 4.9p to 2.3p.

Bank of Nova Scotia in Irish acquisition

THE First Southern Bank, the Ir£56m Irish merchant bank, has been acquired by the Bank of Nova Scotia, tho only Canadian banking group operating in Ireland. Established in the republic since 1966, it concentrates on tho wholesale financial market.

The takeover creates a banking group in Ireland with assets of over Ir£370m and the combined group will now employ 112 people.

Great Southern Bank was created six years ago out of the merger of two provincial Irish banking ho uses and has its headquarters in Cork. Commenting on the takeover, Mr Brian S. Perry, chief executive in Ireland of the Bank of Nova Scotia, said that the new gronp had still considerable growth potential with a top class management team and a broadly spread consumer base.

The Bank of Nova Scotia, a Canadian chartered bank founded in 1832, has its headquarters in Toronto and total assets of more than C$60bn, it is stated.

Receivers to be appointed to Howard Rotavator

Howard Machinery, one of the best known names in agricultural machinery, bas requested its bankers to appoint receivers to its UK subsidiary Howard Rotavator. It also announced the sale of the major part of its European businesses to an unnamed overseas agricultural machinery manufacturer.

Tho company—which made abont three-quarters of its sales in Europe (including the UK) last year—is selling its subsidiaries in France, West Germany, Italy and Spain.

Howard Rotavator made a loss, before extraordinary charges, of £720,000 last year on a turnover of £13m. It omploys 250 people at Harisdon in Norfolk. The receivers have said they intend the company should continue to trade while they investigate its financial position.

IN BRIEF

GREENALL WHITLEY, brewer, has acquired the 15-pub West Midlands brewery of J. P. Simpkiss and Son for £1.9m. Consideration is 621,118 limited voting ordinary shares of 25p each fully paid, £900,000 in unlisted unsecured loan stock and cash for the whole of the issued ordinary share capital, and £3,000 for the issued preference shara capital.

ISOTRON'S offer for sale by lender of 3.29m shares closed yesterday morning oversubscribed. An announcement of the striking price and the basis of allocation will be made today.

OLDHAM METROPOLITAN Borough Council has placed £7m of 12.4 per cent redeemable stock dated 2022. The issue has been made at par in accordance with a "drop-lock" loan agreement the council entered into in November 1981. The first interest payment of £3.02858 per cent will be made on September 30 1985. Dealings are expected to start on Monday.

The issue was arranged by Guinness Mahon with James Capel and the council was advised by Marshall Saturn (Brokers).

HARVEY & TOMPSON has acquired the assets of Wilkins Brothers, pawnbrokers, for £300,000 cash, and has agreed to buy the jewellery stock for an additional £30,000. Wilkins made a pre-tax profit of £39,000 for the year ending January 31 1985.

ESPLEY TRUSTS'S receivers, Mr Ian Watt and Mr Nigel Luckett, of K. M. G. Thomson McLintock, have received a number of enquiries from investors concerning their position as shareholders or bolders of hte 11½ per cent convertiblo unsecured loan stock 1988.

The receivers now believe that there is no possibility of a return being made to shareholders. The position of the loan stock holders will be dealt with by a liquidator in due course.

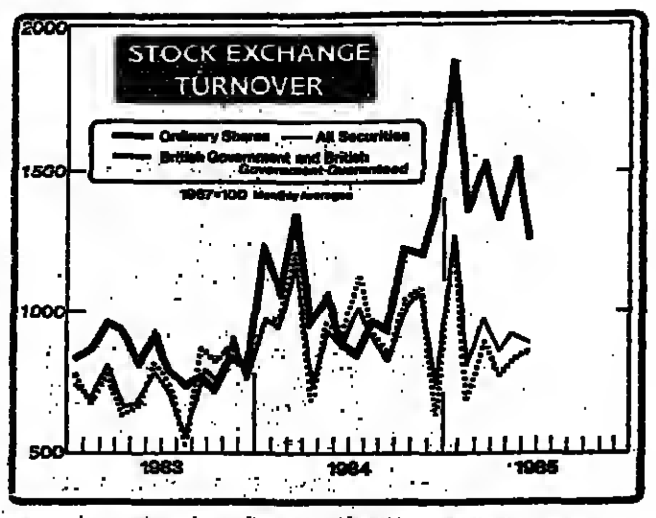
STOCK EXCHANGE BUSINESS IN JUNE

Equity turnover falls 18.4% to lowest level in eight months

BY GRAHAM DELLER

STOCK EXCHANGE business in equities fell from £8.69bn in May to £7.09bn in June, a decline of 18.4 per cent. This is the lowest month's turnover since November of last year and makes an oven poorer comparison when observed against this January's all-time record of £10.45bn.

The Financial Times turnover index for ordinary shares fell to 1,265.2 compared with tho previous month's measure of 1,550.9. The number of bargains transacted in equities also showed a substantial drop, falling 100,012 to 394,341. The averago value per equity bargain, however, rose £400 to £18,000.



Investment enterprise was again held in check as professional and insitutional investors appeared to reservo funds for the flotation of Abbey Life—and, to a lesser extent, Christian Salvesen: both issues were heavily oversubscribed. A steady stream of rights issues also diverted money away from equity markets already suffering from low attendance due to the counter-attractions of Derby Day and Royal Ascot. Foremost was a massivo £519m call from Hanson Trust—the largest in cash terms by a company wholly in the private sector.

Corporate takeover activity provided somo interest—Guinness launched a bid for Arthur Bell and merger terms were agreed between textilo groups Vantona Viyella and Nottingham Manufacturing—but for the second consecutive month sentiment received a sharp jolt following bad news from the electrical sector which was dull early in the month as a broker downgraded his forecast for STC. The sector's problems were later compounded following a profits warning from Racal and widespread conjecture surrounding the financial well-being of Thorn EMI. British Telecom, which had earlier announced preliminary results much in line with expectations, had its offer for Mitel of Canada referred to the Mopopolies Commission, while dealings were suspended, yet again, in Acorn Computer.

As a result, doalers showed no desire to increase already adequate book positions and attempted to deter selling by marking share price down severely. This proved to be only partially successful and tho FT Ordinary share index, up to 1,020.2 on Juno 4, slumped dramatically to close the month a net 63.9 points off at 938.6.

Turnover in British Government securities held up relatively well, rising £0.58bn, or just under 3 per cent, to £20.10bn. Trade in shorts fell £0.4bn, or 4 per cent, to £9.55bn, but this was more than compensated by an increase of £0.99bn, or 10.3 per cent, to £10.55bn in longer-dated maturities and irredeemables. The Financial Times turnover index for government securities was 850.6 against May's 825.9.

After a steady start following satisfactory money supply figures, gilt values ebbed, reflecting fading hopes of a reduction in bank base lending rates, partly attributable to continuing worries over oil prices. The Gilt market rallied midway through June, however, as sterling performed well against the dollar and news that UK inflation had risen to 7 per cent in May had scant effect on sentiment. Requests from the CBI for an early cut in interest rates received short shrift from the Chancellor, whose viewpoint was later reinforced by the Bank of England.

The FT Government Securities index moved between 82.17 and 81.51 before settling a net 0.34 firmer on the month at 81.70.

Turnover in all securities during June fell by 1bn, or s marginal 3.3 per cent to £29.02bn. Tha FT turnover index for all securities was 889.3 compared with 919.9 in May.

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain value £000s	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	9,551.4	32.9	26,864	5.6	477.6	355.5	1,343
Others (over 5 years)	10,546.3	36.3	31,885	6.6	527.3	330.8	1,594
TOTAL	20,097.7	69.2	58,749	12.2	1,004.9	342.1	2,937
IRISH FUNDS							
Short dated (5 years or less to run)	777.4	2.7	1,732	0.4	38.9	448.8	87
Others (over 5 years)	502.7	1.7	1,900	0.3	25.1	264.6	95
UK LOCAL AUTHORITY	143.6	0.5	1,765	[illegible]	7.2	81.4	88
OVERSEAS GOVERNMENT	134.1	0.5	[illegible]	[illegible]	6.8	100.2	68
OTHER FIXED INTEREST	274.2	[illegible]	21,9[illegible]	[illegible]	13.7	12.5	1,099
ORDINARY SHARES	7,090.1	24.5	394,341	81.8	354.5	18.0	19,717
TOTAL	29,021.8	100.0	481,82[illegible]	100.0	1,451.1*	60.2*	24,091*

* Average of all securities

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Barclays	400	+12
Beecham	323	+ 8
Burton	481	+15
Comm Union	211	+ 8
Debenhams	381	+23
Hab Mothercare	382	+18
Maynards	350	+10
NatWest	690	+17
Royal Ins	685	+22
TSL Thermal	280	+20
Thorn EMI	344	+15
Vickers	295	+10
FALLS		
Allied Coll	158	−15
BICC	193	−12
Lex Service	167	−10
Pentlands Ind	870	−30

APPOINTMENTS

Restructuring at Landis & Gyr

Following its acquisition of electronics and communications systems manufacturer, Aeronautical & General Instruments (AGI), LANDIS & GYR has made organisational changes which bring about a restructuring. A new company has been established as the overall holding company for Landis & Gyr companies in the UK. Landis & Gyr (Holdings) UK will wholly-own the shares of Landis & Gyr Ltd and AGI. The directors of the new company are Dr W. R. Klinz (chairman), Mr E. Hotz, Dr F. Stuber and the managing director of Landis & Gyr Great Britain (LGGB), Mr T. A. Clements. Mr E. Hotz has relinquished the chairmanship of Landis & Gyr Ltd and Mr G. E. Robertson, previously deputy chairman, has been elected non-executive chairman. The board of Landis & Gyr Ltd has been joined by Dr Klinz and by LGGB marketing director, Mr L. J. Crosten. The board of AGI has been restructured: Mr J. A. Dearlove (non-executive chairman), Mr J. E. Nicholls, Mr J. G. Davies, Dr Stuber and Mr Clements. Mr H. Melvin has been appointed managing director.

★

Mr Tony Smith, until recently personnel director of the Corporation of Lloyd's, has been appointed a director of BULL THOMPSON AND ASSOCIATES. He was previously the UK personnel director of Chemica Bank.

★

PK CHRISTIANIA BANK (UK) has opened an equity trading desk in London. Heading this department is Mr Hans-Rune Wahlström.

★

J. HENRY SCHRODER WAGG & CO. has appointed Mr A. M. Agrotis, Mr J. A. Anderson, Mr R. D. Bown, Lord Charles Cecil, Mr P. Hargreaves-Allen, Mr G. C. Harington, Mr R. E. Hills, Mr B. E. Marenbach, Mrs J. Pain, Mr P. C. Robinson, Mr S. N. Roditi, Mr R. N. Saxby-Soffe, Mr R. W. A. Swannell and Mr A. M. H. Villiers as directors. Schroder Capital Management Inc. has appointed Mr R. R. Foulkes, Mr C. E. Kaefer, Mr K. M. Niven and Mr A. O. Way as directors. Mr J. Ager and Mr R. F. Cheetham become senior vice presidents.

★

Mr Peter Murrell, Mr Eric Lott and Mr Peter Eyles have been appointed as sole managing directors of R. MANSELL'S Westminster, Croydon and City companies respectively. They were previously joint managing directors with Mr Bernard Adams, group managing director. Mr Adams takes over from group chairman Mr Leon Hill as chairman of these companies. He will also become chairman of thet Mansell service companies such as Joinery and Plant and Engineering. Mr Hill continues as chairman of the parent company, R. Mansell, with Mr William Pybus as deputy chairman and Mr Peter Young as company secretary.

★

Mr Maurice L. Oberstein has been appointed chairman and chief executive officer of POLYGRAM LEISURE. He was chairman of CBS Records UK.

★

Mr A. D. Danbury and Mr J. C. Birkmire have been appointed directors of LLOYD THOMPSON (INSURANCE BROKERS).

★

The NEWSPAPER SOCIETY has appointed Mr A. T. U. "Sandy" Park as its head of industrial relations. Mr Park, who is to join the society on January 2 1986, will succeed Mr Christopher Carter who is leaving to become group general manager with Northcliffe Newspapers.

★

Mr John Andrew has retired from the chairmanship of BRIDGEWATER PAPER COMPANY and of Bridgewater Paper Sales. When appointed, in 1982, he had planned to hold office for two years; he now returns to service in the UK by an additional 12 months. Mr Andrew remains on the board of the two British companies, and as executive vice-president of Consolidated Bathurst Inc. Mr William B. Scott, deputy chairman since January 1, succeeds Mr Andrew in the chair. From July 1981 until the end of last year, he had been general manager of the Bridgewater Mill at Ellsmere Port. Following his move to London, Mr Wilf Linzmayer was appointed his successor. Mr Scott will also become managing director of the Bridgewater Paper Company; Mr Michael Pelham continues as managing director of Bridgewater Paper Sales.

★

Mr Ray Forrest has joined the board of MILLER BUCKLEY DEVELOPMENTS.

★

WINCANTON GROUP, transport, garages and engineering subsidiary of Unigate—has made the following appointments. Mr John Worby, who joined Wincanton Group on June 1 from sister company, Unigate Dairy Holdings, takes over as finance director. He replaces Mr Malcolm Mcleod who has been made development director, responsible for special projects, until his retirement later this year. Mr Clive Waldron, until recently managing director of Wincanton Engineering Group, becomes commercial director, Wincanton Group, responsible for business development, acquisitions and disposals. From August 1, Mr Gerald Burke, currently financial controller of Wincanton Group, is appointed finance director, Wincanton Vehicle Rentals.

★

Promotions at Barclaycard

Mr Richard Farmer, head of fraud prevention at BARCLAYCARD'S Northampton head office, has been appointed assistant divisional general manager in charge of operations. His place as head of fraud prevention is taken by Mr John McCarthy, formerly head of sales.

★

Mr John Dashwood has been appointed a director of RICHARDS, LONGSTAFF (INSURANCE), and a director of the UK division.

★

Mr John Labbett, previously finance director of Linfood Cash & Carry, has been appointed group financial controller of the DEE CORPORATION. He will be succeeded as finance director by Mr David Birkett, formerly group financial controller of Fine Fare.

Mr Louis van Hellenburg Hubar has joined the board of GOTA (UK), wholly-owned subsidiary of Gotabankan of Sweden, as a non-executive director. Mr Hubar was formerly regional manager, UK & Channel Islands, for Algemene Bank Nederland NV.

★

Mr Paul Saulter, chief executive, is to leave the Manchester Chamber of Commerce and Industry in September to take up the newly-created post of chief executive with the London-based ASSOCIATION OF EXHIBITION ORGANISERS.

★

Mr David Bucks has been appointed vice chairman of HILL SAMUEL & CO.

★

ICELAND FROZEN FOODS, retail subsidiary of Iceland Frozen Foods Holdings, has made the following appointments: Mr Richard Kirk has been appointed deputy managing director, Mr Barry Glover, service and development director, Mr Derek Harris, marketing director, and Mr Peter Williams, administration director. Mr John Berry has been appointed company secretary.

★

CHARLES BARKER GROUP has a newly-constituted operations committee. Mr Paddy Murray, deputy chairman of the consumer agency Ayer Barker and chief executive of Rapier Services, has been appointed group managing director. He joined the group in 1974. Together with Mr Simon Barrow, chief executive of Ayer Barker, and Mr Roddy Braithwaite, chief executive of Charles Barker Recruitment, Paddy will report directly to group chairman, Mr Antony Snow, on the operations committee.

Mr Bill Brantley has been appointed chairman and Mr Clyde Walton, president, of CHARLES BARKER BRANTLEY, WALTON & CO INC, New York, Charles Barker's new investor relations company. Mr Michael Prideaux, Mr John Page and Mr Alan Ogden, based in London, have joined the board.

★

UNIDEN, a Japanese telecommunications company, has appoinetd as sales and marketing director Mr Peter Grimes. The company has appointed Mr Paul Maitland as company secretary. Both are aged 25.

★

WELLMAN, manufacturer of fitted kitchens, has appointed Mr John Kinder as managing director of its UK operation. He joins from the Music Hire Group where be was responsible for its UK division.

★

AIROIL-FLAREGAS, West Drayton, part of AAA Industries, has appointed Mr Douglas W. Harckham as sales and marketing director, and Mr Stephen Warren as engineering director. Both joined the company in 1983.

★

Dr Michael Wright has been appointed a director of MOLINS from August 1. He has also been appointed managing director of Molins Tobecco Machinery.

★

Lord Evans of Claughton is joining the board of GRANADA TELEVISION as a non-executive director. A former president of the Liberal Party, Lord Evans practises as a solicitor io Liverpool and Merseyside.

★

Mr James Vogel has resigned as chairman of I. D. AND S. RIVLIN and Mr M. J. Bradlow has succeeded him. Mr T. W. Duhig has been appointed to the board as co-secretary/director.

★

MGM ASSURANCE has appointed Mr Andrew Lamb as assistant general manager (investments). He joined MGM in 1976 as investment manager.

★

Mr Roy Davies has been appointed finance director et RONALD MARTIN and Ms Judith Bridge joins the board of Fred Eyre Stationers—a subsidiary. Mr Richard Rosenburg becomes finance director at RMS International. Ms Andrea Conrad will be purchasing Director of RMS.

★

Mr Roger Wakefield has been appointed director of legal services et the BUILDING EMPLOYERS CONFEDERATION. He succeeds Mr Philip Povey, who retired last month. Mr Wakefield edits the BEC Sontract Bulletin and has played e leading role in developing standard forms of sub-contract, and is company secretary of BEC Pension Trustee.

★

Mr Sol Margolis has been appointed director of the BRITISH WOODWORKING FEDERATION. He succeeds Mr Douglas Hall who retired last month. Mr Margolis joined BWF in January this year as director-designate. BWF is a sector of the Building Employers Confederation.

★

In addition to the appointments already announced (Financial Times, July 4) Mr Allan Oscroft has been appointed deputy chairman of HOGG ROBINSON (CREDIT & POLITICAL).

has succeeded him. Mr T. W.

BASE LENDING RATES

A.B.N. Bank	12½%	Heritable & Gen. Trust	12½%
Allied Dunbar & Co	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Amro Bank	12½%	Knowsley & Co. Ltd.	13 %
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13
Cedar Holdings	12 %	Royal Bank of Scotland	12½
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½
Choulartons**		■ J. Henry Schroder Wagg	12½
Citibank NA	12½%	Standard Chartered	‖12½
Citibank Savings	¶12½%	TCB	12½
City Merchants Bank	12½%	Trustee Savings Bank	12½
Clydesdale Bank	12½%	United Bank of Kuwait	12½
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½
Comm. Bk. N. East	13 %	Westpac Banking Corp.	12½
Consolidated Credits	12½%	Whiteaway Laidlaw	13
Co-operative Bank	*12½%	Williams & Glyn's	12½
The Cyprus Popular Bk.	12½%	Yorkshire Bank	12½
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%, 1 month 10½%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Osmand deposits 9½%.

Tea exporters plan to lift quality and price levels

BY JAMES BUXTON IN ROME

THE WORLD'S tea producers are to work out ways of implementing higher standards of tea quality in order to help tea prices to recover after their recent dramatic fall on the London market.

A meeting in Rome of the Inter-Governmental Group on Tea, part of the United Nations' Food and Agriculture Organisation (FAO), concluded that part of the reason for the collapse of tea prices was that large quantities of sub-standard tea were coming on to the market.

The price of tea fell from 280p per kilogramme in January to a price which now stands at about 124p. At this level, few tea producers can sell their product at a profit.

The inter-governmental group, which includes both producing and consuming countries, was unable to find a comprehensive explanation for the unpredicted price collapse. But the record crop in 1984 led to more tea coming onto the market, and to tea pluckers picking sub-standard leaves which they would normally have left on the bush.

Then this year the market was depressed by news that another good crop was expected in 1985, thus encouraging tea buyers to hold back from buying in the hope of lower prices.

The tea exporters are now, with the help of FAO, to consider two possibilities as a short-term measure. One is to insist that the only existing international standard for tea is more rigorously enforced. The other is to try to devise a new standard which would require higher quality than the present standard which is acknowledged to provide a very loose definition of good tea.

It is believed that by adopting a higher standard low quality grade could be driven out of the market, but FAO officials admit that it would take several months to agree on a new procedure.

The producers, who are now resurrecting their own sub-group within the inter-governmental group, believe that if they can co-operate in this operation they may later be able to co-ordinate wider actions on regulating production, which they have hitherto failed to achieve.

Behind the discussions has anxiety that this year's price collapse could be part of a mere prolonged decline caused by the imbalance between supply and demand. The FAO reckons that tea production could continue to grow in the period up to 1990 by the 3.7 per cent annual rate of growth it achieved in the 1970s.

World demand for tea is, on the other hand, projected to grow by 3 per cent up to 1990, compared with 3.5 per cent in the period up to 1981. This would produce an imbalance between supply and demand equivalent to 2.4 per cent of the world crop.

While the FAO believes that this margin may be small enough to be partially offset by bad weather factors, it warns that there could be a fall in prices in real terms over the period.

Decline in London zinc values continues

By John Edwards, Commodities Editor

ZINC VALUES tumbled on the London Metal Exchange yesterday as heavy profit-taking selling emerged in a market already weakened by the rise in the value of sterling. Cash zinc dropped by £28.5 to £583 a tonne, while the three months quotation closed £24 down at £568.5 falling to £565 in late kerb trading.

Traders said that the failure of the three months price to breach £600, in spite of output cuts announced by several leading producers, triggered off some heavy selling that accelerated as stop-loss orders were triggered off. The decline was viewed as a normal reaction after the recent upsurge in the market.

Nickel also came under heavy selling pressure, particularly of spot supplies, which drove the cash price down by £127.5 to £3,917.5 a tonne. The three months quotation was £95.5 lower at £3,957.

Trading in the tin market remained subdued, while the controversy over the limit on the cash price premium to "borrow" for a day continues to restrict dealings. Nevertheless the cash price yesterday widened its premium over the three months quotation gaining £54.5 to £9,607.5 a tonne, while three months lost £11.5 to £9,415.

Indonesia's rice "miracle"

BY KIERAN COOKE IN DUBLIN

ONLY A few years ago Indonesia was the world's biggest rice importer. But last year a surge in production to more than 25m tonnes allowed the country, for the first time in its modern history, to market enough rice to feed its 160m people.

Indonesian leaders see the change as one of the great achievements since the firmly development-oriented government of President Suharto came to power in the late 1960s. At that time rice production was *only 11m tonnes.*

President Suharto himself will be making one of his rare visits abroad later this year to explain Indonesia's rice "miracel" to a special meeting of the UN Food and Agriculture Organisation in Rome.

There are problems, however, chiefly of price and quality. Prices of rice within Indonesia are centrally controlled through the national logistics agency, Bulog, which has traditionally imported or bought in rice stocks to keep consumer prices stable and to guarantee a fair price to Indonesia's estimated 30m paddy farmers. But as production has dramatically increased—from 17.8m tonnes in 1979 to 22.3m tonnes in 1981 and to 24m tonnes in 1983—Bulog has found it increasingly difficult to control stock levels.

After last years's record harvest Bulog now has stocks of nearly 3m tonnes. Its warehouses are full to overflowing and it says that space and spoilage problems, plus a lack of government funds due to the falling value of Indonesia's oil exports, prevent it from buying in any more rice. As a result prices have fallen. The Bulog floor price is at present set at 175 rupiahs (15 U.S. cents) a kilo for unhusked paddy. Yet in the main rice growing area of West Java prices have sunk as low as 110 rupiahs a kilo.

As more than 60 per cent of farming income is still derived from rice, any fall in price has a serious impact. While consumption has risen—from 90 kilos per head a year in 1967 to 150 kilos today—Indonesia is likely to be producing significant rice surpluses in the years ahead, especially if the Government target of 3.8 per cent annual growth in rice production over the next five years is achieved. Exports at the moment are thought to be an unrealistic proposition. Production costs remain high while quality is still low. The reason for this seems to lie, ironically, in the new strains of rice which have been responsible for Indonesia's green revolution.

The new strains, pioneered by the International Rice Research Institute in the Philippines and known as IR-8, IR-36 and now IR-64 are capable of doubling or even trebling rice production. But the strains also demand greater fertiliser inputs, extension or irrigation facilities and generally more attention. Farmers often lack the necessary expertise to plant and tend the new rice seedlings. Often too much fertiliser is used, resulting in killing off fish and land crabs that live in the paddy—an important source of additional income for the farmer. Farmers have also tended to interplant both the old and new rice. This has led to crop inconsistencies and rejection by traders.

The new crops have also led to increased labour costs. With traditional rice, a system of reciprocal neighbourhood help had been established with members of a community sharing harvesting work. Now, as harvests come round more quickly, teams of contract labourers move from field to field. Even the old way of harvesting has changed: once a small knife called ani-ani was used to delicately cut the stalks so as not to disturb the goddess of the rice paddy. Bigger sickles are now in use to cope with the bulk of the new rice crops.

The Government seems to have become the victim of its own success. It is very conscious that adequate stocks must be maintained in order to guarantee supplies in the event of crop failures. Rice shortages in the late 1960s and early 1970s brought serious political unrest. Even now, the Government is continuing to import small quantities of rice to maintain good relations with traditional suppliers and to make sure stocks will be available in the event of an emergency. It does not have the funds to increase stocks. That means lower prices for the farmer who, in turn, might precipitate shortages in future years by not investing so much money and effort in Indonesia's modern day miracle.

Coffee pact quotas reduced

BY JOHN EDWARDS, COMMODITIES EDITOR

THE International Coffee Organisation yesterday formally announced a cut of 1m bags (of 60 kilos each) in export quotas following a fall in its 15-day average price to 129.65 cents a pound. The reduction in quotas was automatically triggered when the price went below 130 cents. It means that export quotas for the 1984/85 (October to September) season have been reduced to the basic quota level of 59m bags.

The initial overall quota, agreed last September, was increased by an extra 2m bags to 61m bags because of complaints from consumers that the strict application of quotas was creating an artificial shortage of supplies available to members of the International Coffee Agreement on the world market. The first 1m bags of the extra quota was withdrawn in December when market prices fell below the initial trigger level of 135 cents.

Now that the second 1m bags of extra quota has been withdrawn, the next changes in quota will be triggered either if the ICO average price sinks below 120 cents or rises above 140 cents a lb. Yesterday's quota reduction had little impact on the market since it had been anticipated and already discounted.

Prices in fact dropped to the lowest level for 20 months in early trading on the London Robusta futures market, with the September position dipping to £1,824. However the market then staged a strong recovery and September futures closed at £1,867.5 a tonne, £23./

Traders said the sudden turnround in prices yesterday was primarily a technical reaction following the recent steep fall in values. Some buying interest at the lower levels—stimulated profit-taking by earlier sellers in an oversold market. However considerable uncertainty about the future trend in prices remains.

July is the main danger period for frost in Brazil but after the early scare last month there is no immediate threat. This could, of course, change overnight. However, in the meantime there are more adequate supplies of coffee available at present. Crop prospects for 1985-86, which would not be affected by any frost in Brazil, are looking promising and could well break through the 100m bags mark.

E. D. & F. Man, London brokers, in its latest world coffee market report, just out, notes that whereas output seems still to be on the increase, consumption is creeping up at a much slower rate.

Bumper Indian crop forecast

By P. C. Mahanti in Calcutta

AFTER A series of small crops India's raw jute output for the season beginning this month is forecast at 8.5m to 9m bales, which would be a bumper crop.

With de-hoarding operations by the Government in full swing mills report that fibre supplies have improved. In fact the ruling market quotation is staying below the officially fixed ceiling of 600 a quintal.

In view of the improved fibre supply outlook the government is pressing the owners to reopen all the closed mills early. Some 20 mills remain closed at present throwing nearly 100,000 workers out of work.

Vegetable oil market under pressure

BY JOHN BUCKLEY

RISING PRODUCTION and retreating imports demand have renewed pressure on vegetable oil prices this week. Many have now dropped to levels not seen since before the U.S. soyabean crop was cut by drought in 1983 and most are likely to continue weak according to European dealers.

Principal catalyst in the latest downturn has been the rise in Malaysian palm oil production at a time of expanding new crop soyabean oil supply. Although May palm oil production was disappointing at some 250,000 tonnes demand from the traditional big buyers, India, Pakistan and the Soviet Union, was even further below expectations.

With the peak palm oil production period of August-October promising monthly averages of 400,000 tonnes or more the market is likely to come under increasing pressure as the summer wears on and further stock surplues aggravate refiners' cash flow problems.

Already this situation has slashed $50 off prices of Malaysian palm oil, now offered at around $485 a tonne forward against $600 just eight weeks ago. A dip to $450, or even $400 is now widely forecast as the Malaysians drop their resolve to shore up prices and tend to the more pressing need to compete against a record supply of Brazilian and Argentine soya oil.

Brazilian oil has been making brisk business into the U.S. where $120 premiums have been justified by a slow crush and poor returns on meal production, making re-export a profitable exercise. Even palm oil has captured the imagination of U.S. consumers who, starved of traditional cheap domestic supplies, have trebled their demand for refined palm products against year-ago totals and are forecast to take some 20,000 tonnes a month until September.

Most merchants play down the possibility of U.S. weather markets breathing new life into soya since demand for meal traditionally falls in the summer months and oil is clearly plentiful. The only bull factor, a drought in Malaysia, is also shrugged off since there is normally a six to seven month lag between rainfall and palm oil yields. In the words of one international trader, "something's got to give and it's likely to be the U.S. soya premium."

Values have also been under pressure from the collapse of coconut and palm kernel oil markets reflecting rising supplies. After a $50 fall this week coconut oil is now only a third of the price ruling at this time last year and at $525 a tonne can once again complete freely.

At the bottom end of the market record EEC rape seed crops have kept not only European but many Third World customers well supplied with an increasingly cheap oil. However that continued decline in the market is posing questions over the long-term health of the British crushing industry. Since March the European Commission has virtually doubled its aid to crushers to over £100 per tonne only to watch oil prices drop by £150 and meal by £20 per tonne.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	767.5-8.0	−2	759.e
3 months	780.5-1	−1.0	783/780

ALUMINIUM—Official closing (am): cash 7595-80 (765-6): three months 781-2 (787-.5): settlement 771.75 (786). Final kerb close: 782-3. Turnover: 17825 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/Low
Cash	1076.5-.7	−7.25	1078/1076.5
Three m'nths	1088-.5	−5.5	1090/1085

CATHODES—Official closing (am): cash 1063-5 (1062-3): three months 1077.5 (1074-6): settlement 1065 (1063). Turnover: 17,375 tonnes. U.S. producer prices 65.625/68 cents per lb.

Cathodes			
Cash	1061-3	−0.0	1063/1062
Three m'nths	1076-8	+1	—

COPPER HIGHER GRADE—Official closing (am): cash 1077.5-8 (1083-.5): three months 1088 5-9.5 (1090-.5): settlement 1078 (1083.5). Final kerb close: 1087.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	298-.5	−2.20	299
3 months	301-.5	−9	302/301

LEAD—Official closing (am): cash 299-300 (302.5-3): three months 301-.5 (303.0): settlement 300 (303). Final kerb close. 301-1 0. Turnover: 4,850 tonnes. U.S. spot: 18.50/21 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	3920-30	+7.0	3989/3910
3 months	3960 70	+8	3970/3945

NICKEL—Official closing (am): cash 3910.5; three months 3980-5 (3985.60): settlement 3915 (4055). Final kerb close: 3955-65. Turnover: 570 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/low for day
Cash	9090 e	−15	9615/9630
3 months	9416-6	−9.5	—

STANDARD—Official closing (am): cash 9600-10 (9615.20): three months 9416-20 (9450-1): settlement 9610 (9620). Final kerb close: 9410-15. Turnover 1385 tonnes. Straits tin $30.25m (30.30) kilo.

Standard			
Cash	9590-5	−10	9620/9600
3 months	9415-e	+0.e	9420/9410

TIN HIGH GRADE—Official closing (am): cash 9615-20 (9630-5): three months 9420-5 (9450.5): settlement 9620.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	071 3	−11	—
3 months	560.5-1	−7.75	095/556

ZINC—Official closing (am): cash 574-5: three months 560.5-61: settlement 576 (598). Final kerb close: 563-4. Turnover: 96 00 tonnes. U.S. Prime Western: 44/45.75 cents per lb.

MAIN PRICE CHANGES

(In tonnes unless otherwise stated.)

METALS	July 4 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1025/055	......	$1080/120
Copper			
Cash h Grade	£1070.75	......	£1140.0
3 mths	£1088.25	−5.0	£1156.75
Gold troy oz	$310.70	+1.5	$315.20
Lead Cash	£298.20	−2.25	£301
3 mths	£301.25	−2	£305.0
Nickel			
Free Mkt	240/278c	......	250/280c
Palladium oz	$93.00	−0.1	$96.85
Platinum oz	$207.70	−1	$266.00
Quicksilver†	$280/290	......	$290/300
Silver troy oz	449.80p	−1.15	481.55p
3 mths	463.85p	−1.25	495.55p
Tin cash	£9092.0	−15	£9550.5
3 mths	£9410	+0.5	£9050.5
Tungsten	$72.75	......	$70.36
Wolfram 22 04lb	$56/60	......	$58/63
Zinc	£572	−11	£593.0
3 mths	£560.75	−7.75	£600.20
Producers	$880	......	$880

OILS	July 4 1985	+ or −	Month ago
Coconut (Phil)	$617.5z	......	$610
Palm Malayan	$510w	......	$560
SEEDS			
Copra Phil	$330z	......	$378
Soyabean (U.S.)	$227w	+0.1	$283
GRAINS			
Barley Fut. Sept.	£96.50	+0.1	£98.10
Maize	£145.00	......	£147.50
Wheat Fut Sept	£97.20	−0.2	£98.20
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Sept.	£1760.5	−4	£1780.0
Coffee Ft. Sept.	£1867.0	+23.5	£2075
Cotton A Index	62.00c	−0.1	66.50c
Gas Oil Aug.	$215	+0.75	$211
Rubber (kilo)	66p	......	64p
Sugar (raw)	$82	−2	$80
Wooltops 64s	468pkilo	......	480pkilo

‡ Unquoted. u Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

GOLD

Gold rose $1¼ an ounce from Wednesday's closing level in the London bullion market yesterday to finish at $310½-311. The metal opened at $310½-311 and traded between a high of $310¾-311¼ and a low of $310¼-310¾. Trading was very quiet and uneventful in view of the closure of U.S. markets for Independence Day.

GOLD BULLION (fine ounce) July 3

Close	$310½-511	(£235¾-236¼)
Opening	$310½-511	(£230½-237)
M'n'g fix	$310.70	(£236.094)
Aft'n'n fix	$310.50	(£235.801)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$318¾-019	(£242-242¼)
½ Krug.	$105½-164¼	(£124¼-125)
¼ Krug.	$83-84	(£63-63¼)
1/10 Krug.	$33½-34½	(£25½-26¼)
Mapleleaf	$320½-321	(£243¼-243¾)
New Sov.	$73¼-74	(£56-56¼)
½ New Sov	$44-44½	(£33½-34)
Old Sov.	$75-70½	(£57-56¼)
$20 Eagle	$450-490	(£341¼-372)
Noble Plat	$200-268	(£201-205¼)

SILVER

Silver was fixed 1.10p an ounce lower for spot delivery in the London bullion market yesterday at 449.85p. U.S. cent equivalents of the fixing levels were: spot 592.c, up 3.25c; three-month 603c, up 3.45c; six-month 614.2c, up 3.15c; and 12-month 638.5c, up 2.65c. The metal opened at 450-453p (591-594c), and closed at 449½-451½p (591-594c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	449 80p	−1.15	450p	+0.5
3 months	463.85p	−1.25	464.5p	+0.0
6 months	476 60p	−1.55	—	—
12 months	501.30p	−2.05	—	—

LME—Turnover: 14 (2) lots of 10,000 oz.

Three months high/low 462, final kerb 463 bid.

FREIGHT FUTURES

The market declined again against a background of lower physical business rates. New lows were seen, most notably on the first two positions, but the more distant months held relatively steady. A late recovery left final quotations in mid-range, reports Clarkson Wolff. The Baltic Freight Index was 817.5, down 20.5.

	Close	High/Low	Prev.
July	816-820	838-817	830-832
Oct.	800-858	855-852	857-860
Jan.	870-873	870-883	864-866
April	896-897	897-880	885-890
July	865-900	—	868-972
Oct.	900-950	—	898-900
Jan.	900-975	—	800-850
April	940-1030	—	950-960

Turnover: 118 (224).

GRAINS

July wheat continued to rise on profit-taking reaching £2.00 up before dropping sharply in thin trade as longs baled out to close at a new contract low. New crops eased on further light merchant selling against lack of domestic or international buying interest, reports Muirpace.

WHEAT			BARLEY	
Mnth	Yesterday's close	+ or −	Yesterday's close	+ or −
July	109.00	−3.00	—	—
Sept.	97.20	−0.20	96.50	−0.10
Nov.	100.50	−0.15	100.20	−0.15
Jan.	104.20	−0.05	105.80	−0.15
Mar.	107.20	−0.25	108.80	−0.15
May	110.70	−0.25	109.50	−0.10

Business done—Wheat: July 114.00-9.00, Sept 97.35-7.25, Nov 100.65-0.60, Jan 104.25-4.20, March 107.35-7.30, May 110.85-10.70. Sales: 112 lots of 100 tonnes. Barley: Sept 96.55-6.45, Nov 100.35-0.20, Jan 103.60 only, March 106.80 only, May untraded. Sales: 58 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent July 135, Aug 132.25, Sept 132.85, Oct 133.30 sellers transhipment east coast: U.S. no 2 soft red winter Aug 122.25, Sept 124.75, Oct 126.25 sellers: EC July 115 seller: English feed fob Sept 97.50, Oct 100, Oct-Dec 103 sellers east coast. Maize: U.S. no 3 yellow/French transhipment east coast July 145 sellers. Barley: English feed fob July-Aug 96.50, Oct-Dec 100.50 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 94.80. The UK monetary coefficient for the week beginning Monday July 8 will remain unchanged at 0.984.

RUBBER

The London physical market opened easier, attracted little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 66.00p (same); Aug 64.50p (65.50p); Sept 64.50p (65.50p). The Kuala Lumpur fob price for RSS No 1 was 194.5 (199.0) cents a kg and for SMR 20 was 162.0 (166.0).

COFFEE

During a fairly active session prices rallied from early losses to trade £23-29 higher, reports OSL. The recent decline, which continued in the morning, attracted profit-taking and values advanced in light volume. Gains were trimmed slightly at the close.

COFFEE	Yesterday's Close	+ or −	Business Done
July	1810-20	+18.5	1820-1774
Sept.	1867-68	+23.5	1872-1824
Nov.	1902-05	+20.0	1915-1855
Jan.	1909-44	+18.5	1953-1894
March	1943-48	+28.0	1950-1911
May	1945-80	+17.0	1935-1931
July	1970-2000	+10.0	1970-1955

tonnes.

ICCO indicator prices (U.S. cents per pound) for July 3: Comp daily 1979 125.10 (126.38): 15-day average 129.65 (130.16).

INDICES

FINANCIAL TIMES

July 4	July 3	M'th ago	Year ago
270.98	270.04	283.10	298.36

(Base: July 1 1952 = 100)

REUTERS

July 3	July 2	M'th ago	Year ago
1733.3	1741.5	1806.2	1912.8

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
991.9	990.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	July 3	July 2	Month ago	Year ago
Spot	116.47	110.70	—	134.50
Fut.	115.77	110.79	—	131.20

(Base: December 31 1974 = 100)

COCOA

Futures opened £10 higher as due but lost ground during a lightly traded day to close a little easier. At the highs some limited producer selling was noted but interest waned thereafter, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
July	1805-1806	+10.5	1820-1795
Sept.	1760-1761	−4.0	1775-1757
Dec.	1721-1722	−8.0	1745-1720
Mar.	1794-1790	−8.0	1743-1723
May	1750-1708	−10.0	1754-1755
July	1758-1750	−14.5	1760-1746
Sept.	1764-1770	−3.5	—

Sales: 3,106 lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 3: 96.00 (96.04), five-day average for July 4: 96.38 (94.39).

SUGAR

LONDON DAILY PRICE—Raw sugar $82.00 (£82.50), unchanged (down 50c) a tonne for July-August delivery. White sugar $121.00, unchanged.

After initially holding steady prices drifted in quiet trading conditions, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug.	83.8-84.2	85.0-85.0	84.8-84.2
Oct.	87.6-87.8	88.4-88.8	88.8-87.4
Dec.	91.4-91.8	92.4-92.8	92.8-91.4
Mar.	101.8-102.2	102.8-103.0	103.8-102.2
May	106.4-106.8	107.8-107.4	—
Aug.	112.2-115.0	113.8-115.4	113.2-112.0
Oct.	115.0-117.0	117.8-118.8	117.8

Sales: 477 (948) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £164.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for July 4: Daily price 2.66 (same): 15-day average 2.76 (2.80).

SOYABEAN MEAL

The market opened unchanged in quiet conditions, reports T. G. Roddick. Prices remained within narrow ranges throughout the day.

	Yesterday close £ per tonne	+ or −	Business Done
August	125.5-116.0	−0.45	116.5
October	118.5-114.0	−0.05	114.0-113.5
Dec.	119.5-119.0	+0.10	119.5-118.5
Feb.	124.5-125.1	+0.30	124.5
Apr.	125.0-126.0	+0.15	—
June.	125.5-127.5	−0.50	—
August	126.5-128.5	—	—

Sales: 55 (1,262) lots of 20 tonnes.

OIL

Most activity was in Gulf grades which firmed 10c. Other grades were quiet because of the impending Opec meeting and the U.S. holiday. In the petroleum products market gas oil prices firmed in subdued conditions ahead of the Opec meeting. Heavy fuel was stable—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	25.70-25.80*	+0.10
Arab Heavy	24.25-25.05*	—
Dubai	25.35-25.55*	+0.10
Brent Blend	26.75-26.85	+0.05
W.T.I. (1pm est)	—	—
Forcados (Nigeria)	26.30-26.40	—
Urals (cif NWE)	25.50-25.55	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	281-283	—
Gas Oil	219-221	+2.0
Heavy fuel oil	127-129	—
Naphtha	200-203	—

*August

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or −	Business Done
July	218.00	—	219.50-17.50
Aug	215.00	+0.75	215.00-14.25
Sep	214.00	+0.25	214.00-13.25
Oct.	215.00	+0.75	215.00
Nov	217.25	+1.00	—
Dec.	218.70	+0.25	—
Jan.	218.70	+0.25	—

Turnover: 515 (1,381) lots of 10 tonnes.

POTATOES

FMB intervention in the earlies market and a stronger Dutch quote pushed futures higher on the opening. Interest however was thin and values drifted towards the close, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	69.90	68.90	69.20-60.00
Feb.	87.60	87.60	—
Apr.	79.00	78.30	79.80-79.00
May	84.50	84.30	—

Sales: 11 (175) lots of 40 tonnes.

PIGMEAT

The August position attracted buying interest due partly to spot physicals holding steady despite the hot weather, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	102.70	109.30	102.70-102.00
Oct.	100.00	105.90	100.00
Nov.	106.50	106.60	106.50-106.30
Feb.	98.80	99.50	—
April	98.40	98.00	—
June	97.30	97.60	—

Sales: 29 (32) lots of 50 carcases, 3,250 kg.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.63p per kg lw (+0.57). GB—Sheep 156.77p per kg est dcw (+6.25). GB—Pigs 78.80p per kg lw (−4.97).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 78 0-81.0; English forequarters 52.0-55 0; Eire hindquarters 84 5-88.0. Veal—Dutch hinds and ends 141.0-146.5. Lamb—English small 66.0-74.0, medium 66.0-70.0, heavy 62.0-68 0; Imported: New Zealand PL 65 0-66.0, PX 65.0-68.0. Pork—English under 100 lb 49.0-58.0, 100-130 lb 51.6-56.0, 120-160 lb 48.0-51.0.

Spain's growing potential for horticultural exports

BY A SPECIAL CORRESPONDENT

SPAIN'S POTENTIAL for exploiting EEC horticultural markets when it joins the Community next January is huge.

Exports of fruit and vegetables, mostly to Europe, now stand at about 4m tonnes a year, including more than 600,000 tonnes to the UK. The rate of EEC duties against them ranges from 4 per cent for avocados to 25.5 per cent for peas and averages more than 13 per cent over some 30 products.

Citrus heads the list of Spain's horticultural exports in volume and value, and its production is rising. Exports last year exceeded 2m tonnes for the first time in the industry's history, Britain taking 220,000 tonnes compared with 160,000 tonnes the year before—despite a tariff of 12 per cent against Spanish fruit compared with only 8 and 4 per cent on that of its two main rivals, Israel and Morocco.

Much investment has recently gone into extending Spain's citrus-growing area, and Israel has reason for being anxious about what might happen as duty against Spanish exports falls and their volume rises.

The Community is contemplating a transition period of eight or 10 years for the removal of all duty against Spanish citrus, but Spain is trying to have the term shortened, arguing that citrus should not be bracketed with other horticultural lines anyway because there is virtually no other citrus production in the present EEC and the fruit is therefore not "sensitive."

The quantity of tomatoes Spain grows is also large, last year exceeding 2m tonnes, of which 370,000 were exported. Britain took 126,000 tonnes.

Sales to Europe have been rising, output is year-round, the industry has become more automated and efficient and its impact can be expected to harden as duty, now varying from 5.5 to 18 per cent according to season, is phased out.

Onions are another Spanish horticultural giant, more than 1m tonnes being grown annually and a fifth of them exported, Britain taking about 80,000 tonnes.

The range of varieties makes Spain's onions available all the year, and the integration of production and exporting ensures competitiveness by matching supplies to the market's needs. The existing duty is 12 per cent.

Annual potato output totals about 225,000 tonnes. Of the 72,000 tonnes exported last year, almost 15,000 tonnes came to Britain. The season, now running from February to June, has been extended as varieties from numerous sources have been added to the industry's repertoire. With potatoes so competitive quality is vital and Spain prides itself on achieving it—even to the extent of lifting tubers by hand to avoid damage. Tariffs on potatoes are among the EEC's highest, ranging from 15 to 21 per cent.

Spain grows some 500,000 tonnes of grapes, uses most of them to make the wine that is another Community headache and exports about 90,000 tonnes fresh, including last year, 34,000 tonnes to the UK. Once largely confined to the Christmas market, fresh grapes from Spain are now also available from early summer through to autumn. As the present duty of 9-21 per cent fades, the flow of grapes from there can be expected to do the opposite.

Hitherto Spain has not been thought of much as a source of apples, but this could change. Crops have been exceeding 1m tonnes a year, of which only about 60,000 tonnes are exported, including in 1984, 9,000 tonnes to Britain. Sales to Europe have, however, been expanding, despite duties of 8-14 per cent. Whereas producers once concentrated on Golden Delicious, they have lately been diversifying into green and red varieties. Supplies are available throughout the year, storage techniques are modern and efficient, and Spanish apples are poised to take their place beside some of the country's better known items.

Those include melons, which now bear duty of 11.9 per cent. Almost 1.5m tonnes of them were grown last year, more than a third being exported. The history of Spanish melons is long, but in recent times the range of types has widened.

Honeydew, the main stay, has been joined by such cantaloupe types as galia and ogen. The season has been stretched by using plastic protection for crops, and storage techniques have been improved.

Spain is already Europe's largest supplier of apricots, exports of which total about 30,000 tonnes. Her share of the early market has been growing, and should do so even more as existing EEC duty of 25 per cent is scaled down.

Almost as heavily penalised today are peaches, exports of which are relatively slight at less than 20,000 tonnes against output nearing 500,000 tonnes. The recent acquisition of American strains and the prospect of escaping the present duty of 22 per cent suggest that Spain's peaches could step up their penetration of European outlets.

Pears are another item for which exports have remained fractional. Spain itself consumes 95 per cent of the 500,000 tonnes or so grown. The existing duty of 10-13 per cent is less than on some other lines but its removal could stimulate exports of a fruit whose production has been made more competitive by the introduction of modern pruning methods for easier picking, higher yields and better quality, and a virtual extending of the season by the use of controlled-atmosphere storage that makes pears available in autumn and winter as well as summer.

Other high-volume products whose export potential has lately been enhanced include plums, artichokes, aubergines, capsicums, celery, carrots, cauliflowers, cucumbers, garlic, lettuce, courgettes and strawberries, while among lines that could be called up-and-coming, still experimental as exports but promising to become commercial, are avocados, kiwi-fruit, asparagus, broccoli and Chinese cabbage.

U.S. markets were closed yesterday for the Independence Day holiday. New York's markets will remain closed today but Chicago's will be open.

OTHER MARKETS

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter afloat 139, Aug 141, Sept 143 50, Oct 146 sellers. U.S. two northern spring 14 per cent protein spot 168, July 162, Aug 157, Sept 156.50, Oct 160, Nov 163 sellers. U.S. northern spring 15 per cent protein July 173, Aug 168, Sept 168, Oct 171.50, Nov 174.50 sellers. U.S. three hard amber durum July 168, Aug 162.50, Sept 159, Oct 163.50, Nov 166.50. Canadian one western amber durum spot 177, July 175, Aug 173, Sept 171 sellers.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 126-125, July 126, Aug 124, Sept 122, Oct/Dec 115.50, Jan/March 124 sellers. Argentine Plate afloat 128, July 132 sellers.

PARIS

SUGAR—(FFr per tonne): Aug 1182-1188, Oct 1178-1180, Dec 1185-1200, March 1216-1220, May 1255-1270, Aug 1316-1322.

COCOA — (FFr per 100 kg): July 2020-2120, Sept 2096-2100, Dec 2033-2045, March 2045-2053, May 2050 bid, July 2055 bid, Sept 2060 bid.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar finished slightly weaker in London yesterday in very quiet trading. This was due to the closure of U.S. markets for Independence Day. The absence of any fresh U.S. economic statistics kept major currencies within a narrow trad- DM 3.0315 from DM 3.0340 and ing range. The dollar closed at SwFr 2.5475 compared with SwFr 2.5420. Against the Japanese yen it finished at Y247.70 from Y248.0 and FFr 9.2275 from FFr 9.2375. On Bank of England figures, the dollar's exchange rate index was unchanged at 143.7.

STERLING — Trading range against the dollar in 1985 is 1.3175 to 1.0525. June average 1.2813. Exchange rate index 81.6 up from an opening of 81.3 and Wednesday's close of 81.3. The six months ago figure was 72.9.

Sterling finished at its best level since March 1984 in very quiet trading yesterday. The prospect of a reduction in oil prices appeared to have little effect, for two reasons. Firstly such a move had already been anticipated and secondly the high level of UK interest rates provided sterling with a very firm base. *Any further* trend in UK rates is likely to depend on next week's UK money supply figures.

The pound rose to $1.3170-$1.3180 against the dollar, a rise of 56 points and its best closing level since August last year. Against the D-mark, the pound met resistance as it approached the DM 4.00 level but still finished at DM 3.99 up from DM 3.9825 on Wednesday and its highest level since September 1983. It was also higher against the yen at Y326.25 from Y325.25 and SwFr 3.3475 compared with SwFr 3.3350. Against the French franc it rose to FFr 12.1475 from FFr 12.11.

D-MARK — Trading range against the dollar in 1985 is 3.4519 to 2.9730. June average 3.0629. Exchange rate index 122.0 against 120.0 six months ago.

Trading was generally quiet and uneventful in Frankfurt yesterday, with the dollar fixed at DM 3.0305 compared with DM 3.0423 on Wednesday. There was no intervention by the Bundesbank. The dollar closed at DM 3.0330 from DM 3.0355. Elsewhere the D-mark showed little change after the Bundesbank's decision to leave credit policies and lending rates unchanged following a meeting of the central council. The decision was much in line with market expectations.

STERLING INDEX

	July 4	Previous
8.30 am	81.3	81.1
9.00 am	81.3	81.1
10.00 am	81.5	81.1
11.00 am	81.6	81.1
Noon	81.7	81.0
1.00 pm	81.6	81.1
2.00 pm	81.5	81.1
3.00 pm	81.6	81.2
4.00 pm	81.6	81.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.3455	+0.99	+1.28	±1.5471
Danish krone ...	8.14104	8.08046	−0.74	−0.45	±1.6419
German D-mark.	2.24184	2.25170	+0.44	+0.73	±1.1413
French franc......	6.87456	6.85449	−0.29	—	±1.3669
Dutch guilder ...	2.52595	2.53697	+0.43	+0.72	±1.3171
Irish punt	0.72569	0.717974	−1.06	−0.77	±1.6673
Italian lira	1403.49	1435.98	+2.39	+2.39	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	July 4	Prev. close
£ Spot	N/A	$1.3140-3160
1 month	N/A	0.07-0.86 pm
3 months	N/A	1.63-1.60 pm
12 months	N/A	4.15-4.06 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

July 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3105-1.3185	1.3170-1.3180	0.56-0.53c pm	4.96	1.53-1.49pm	4.57
Canada	1.7811-1.7918	1.7875-1.7915	0.52-0.43c pm	3.19	1.38-1.24pm	2.93
Nethlnd.	4.48¾-4.50¾	4.49¾-4.50¾	2½-2⅛c pm	3.84	6½-6⅛pm	3.67
Belgium	79.87-80.56	80.35-80.45	29-24c pm	3.96	80-70pm	3.73
Denmark	14.26½-14.35¾	14.32½-14.33½	3⅞-2½ore pm	2.51	9¾-8¼pm	2.46
Ireland	1.2706-1.2765	1.2725-1.2735	0.30-0.14p pm	2.17	0.63-0.38pm	1.59
W. Ger.	3.97¾-4.00	3.98½-3.99½	2⅛-2⅛pf pm	7.52	7-6⅞pm	6.95
Portugal	227¾-231½	227¾-230¾	290-560c dis	−20.68	575-1580dis	−18.63
Spain	227½-228½	228-228½	20-45c dis	−1.71	135-185dis	−2.80
Italy	2,532-2,552	2,547-2,548	par-3 lire dis	−0.71	5-10dis	−1.18
Norway	11.46½-11.50¾	11.47½-11.48½	¾ore pm-¾ dis	—	⅞-1⅜dis	−0.30
France	12.09½-12.17½	12.14¾-12.15¾	2¼-2⅛c pm	2.41	6-5pm	1.81
Sweden	11.45¾-11.51½	11.49½-11.50½	3¼-4ore dis	−3.85	11¼-12¾dis	−4.07
Japan	324¾-326¾	325¾-326¾	1.85-1.75y pm	6.62	5.00-4.90pm	6.07
Austria	27.95-28.08	28.03-28.07	14⅞-13¾gro pm	6.12	41½-37½pm	5.63
Switz.	3.32½-3.35¾	3.34¾-3.35¾	2⅛-2c pm	7.39	8⅛-6⅞pm	7.17

Belgian rate is for convertible francs. Financial franc 80.40-80.50. Six-month forward dollar 2.69-2.64c pm. 12-month 4.25-4.10c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3105-1.3185	1.3170-1.3180	0.56-0.53c pm	4.96	1.53-1.49pm	4.57
Ireland†	1.0320-1.0350	1.0338-1.0348	0.30-0.20c pm	2.90	0.85-0.70pm	3.00
Canada	1.3568-1.3590	1.3580-1.3590	0.19-0.22c dis	−1.81	0.54-0.59dis	−1.67
Nethlnd.	3.4110-3.4225	3.4150-3.4160	0.28-0.25c pm	0.93	0.94-0.91pm	1.08
Belgium	60.95-61.16	61.05-61.15	5½-6½c dis	−1.18	16-18½dis	−1.13
Denmark	10.85-10.88¾	10.87½-10.87¾	2-2½ore dis	−2.48	5-5½dis	−1.93
W. Ger.	3.0270-3.0370	3.0310-3.0320	0.65-0.60pf pm	2.48	1.90-1.85pm	2.48
Portugal	173½-174¾	173¾-174½	250-500c dis	−25.82	650-1400dis	−23.53
Spain	173.20-174.05	173.25-173.40	88-103c dis	−0.61	300-330dis	−7.26
Italy	1,929-1,938½	1,934½-1,935½	9½-10 lire dis	−6.05	28¼-29dis	−3.92
Norway	8.71¼-8.73½	8.72¼-8.72¾	3½-3¾ore dis	−4.99	10½-11dis	−4.83
France	9.21½-9.24¾	9.22¼-9.23¼	2.00-2.15c dis	−2.70	6.25-6.50dis	−2.76
Sweden	8.72-8.73¾	8.73-8.73½	6⅛-6½ore dis	−8.77	19¼-19½dis	−8.88
Japan	247.40-248.00	247.65-247.75	0.36-0.32y pm	1.65	0.99-0.94pm	1.56
Austria	21.27¼-21.32¾	21.29-21.31	2½-1¾gro pm	1.20	7-4½pm	1.08
Switz.	2.5345-2.5455	2.5430-2.5440	0.59-0.53c pm	2.65	1.66-1.60pm	2.57

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.45-61.55.

OTHER CURRENCIES

July 4	£	$		£ Note Rates
Argentina Austl.	1.0526-1.0560	0.8000-0.8010	Austria	27.80-28.10
Australia Dollar.	1.9606-1.9646	1.4890-1.4906	Belgium	80.20-81.00
Brazil Cruzeiro.	7,949-7,981	6,040-6,060	Denmark	14.00-14.34
Finland Markka.	8.8710-8.8810	8.2900-8.2920	France	12.07-10.18
Greek Drachma.	170.44-179.36	133.74-136.56	Germany	3.90½-4.00½
HongKong Dollar	10.1950-10.2060	7.7646-7.7665	Italy	8516-2550
Iran Rial	119.90*	90.20*	Japan	305-328
Kuwait Dinar (KD)	0.3983-0.3987	0.30285-0.30295	Netherlands	4.46¾-4.60¾
Luxembourg Fr.	80.35-80.45	61.05-61.15	Norway	11.40-11.61
Malaysia Dollar	3.8700-3.2850	2.4916-0.4035	Portugal	203-253
New Zealand Dlr.	0.7750-2.7830	8.1075-2.1120	Spain	216½-229
Saudi Arab Riyal	4.8046-4.8090	3.6523-3.6528	Sweden	11.40-11.61
Singapore Dollar	8.0160-2.9460	2.2318-2.2336	Switzerland	5.52-3.25
Sth African Rand	8.8950-2.6070	1.8775-1.9816	United States	1.30½-1.33½
U.A.E. Dirham	4.8305-4.8350	3.6720-3.6730	Yugoslavia	355-378

* Selling rate.

CURRENCY MOVEMENTS

July 4	Bank of England Index	Morgan Guaranty Change %
Sterling	81.0	N/A
U.S. dollar	143.7	"
Canadian dollar	89.0	"
Austrian schilling	112.5	"
Belgian franc	88.4	"
Danish Kroner	77.0	"
Deutsche mark	122.0	"
Swiss franc	140.4	"
Guilder	110.6	"
French franc	05.2	"
Lira	46.4	"
Yen	155.7	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.664220
U.S. $	7½	N/A	0.741667
Canadian $	0.58	N/A	1.00830
Austria Sch.	4½	N/A	15.7827
Belgian Fr.	9¾	N/A	45.3455
Danish Kr.	7	N/A	8.03040
D'mark	4½	N/A	2.25170
Guilder	5½	N/A	2.53697
French Fr.	9½	N/A	0.85548
Lira	15½	N/A	1456.98
Yen	5	N/A	185.111
Norway Kr.	8	N/A	6.46993
Span'h Pta.	—	N/A	128.679
Swedish K.	1.6	N/A	0.48038
Swiss Fr.	4	N/A	1.88717
Greek Dr'ch	20½	N/A	100.162
Irish Punt	13¼	N/A	0.717074

* C$/SDR rate for July 2: 1.35853

EXCHANGE CROSS RATES

July 4	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.318	3.997	326.3	10.15	3.348	4.498	2548.	1.720	80.40
U.S. Dollar	0.759	1.	3.032	248.0	8.328	2.544	3.410	1935.	1.368	61.10
Deutschemark	0.261	0.330	1.	81.76	3.044	0.839	1.127	638.5	0.448	20.18
Japanese Yen 1,000	3.065	4.038	12.25	1000.	37.25	10.26	13.70	7088.	0.400	248.4
French Franc 10	0.823	1.085	3.285	268.6	10.	0.766	3.702	2087.	1.473	66.10
Swiss Franc	0.299	0.394	1.192	97.46	3.029	1.	1.344	761.0	0.535	24.02
Dutch Guilder	0.222	0.293	0.887	72.54	2.701	0.744	1.	566.4	0.098	17.88
Italian Lira 1000	0.393	0.517	1.566	128.1	4.768	1.314	1.765	1000.	0.703	31.56
Canadian Dollar	0.558	0.736	2.230	182.3	6.788	1.871	2.510	1424.	1.	44.83
Belgian Franc 100	1.244	1.638	4.963	405.8	15.11	4.164	5.584	3168.	2.286	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅛-12¼	8⅛-8⅜	9-9⅜	6¾-6⅞	0⅜-2⅝	6¼-5⅜	10⅛-10⅜	13-14	8⅛-8⅜	8⅛-8⅜	5⅞-6	0⅜-10¼
7 days' notice	12⅛-12⅞	7¾-7⅞	8-9⅜	6⅞-6⅞	2¼-2¼	0¼-5⅜	10⅛-10⅛	13⅛-14⅛	8⅜-8⅜	8⅝-8¾	0⅛-6⅛	9¼-10⅛
Month	13¾-13⅞	7⅝-7¾	9⅛-9⅜	6⅞-6⅞	6⅛-5⅞	6¼-5⅜	10⅛-10⅛	13⅛-13⅛	8⅛-8⅜	8⅝-8⅞	6⅛-6⅛	8⅞-10⅜
Three months	12⅞-12⅝	7⅜-7⅞	9¼-8⅜	6⅛-6⅛	0⅛-5¼	5⅜-5⅜	10⅛-10⅛	13⅝-14	8⅝-8⅞	8⅝-8⅞	6⅛-6⅛	8⅞-10⅛
Six months	12¼-12⅜	7⅞-8	8⅛-8⅛	6⅛-6⅛	5⅛-0⅜	5⅛-5⅛	10¾-10⅞	13⅞-14⅛	8⅜-8	8⅜-9	6⅛-6⅜	9⅜-10
One year	12-12⅛	8⅛-8⅜	0⅛-8⅛	0⅛-6⅛	6⅛-5⅛	5⅛-8⅛	11⅛-11⅛	14⅛-14¾	8⅛-8⅜	8⅛-0⅜	6⅛-6⅜	9⅛-10⅛

Asian $ (closing rates in Singapore): Short-term 8-8¼ per cent; seven days 7¾-7⅞ per cent; one month 7⅞-7⅞ per cent; three months 7¾-7⅞ per cent; six months 7⅞-8 per cent; one year 8¼-8⅜ per cent. Long-term Eurodollars: two years 9¾-9½ per cent; three years 9⅝-9⅞ per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Very subdued

Dealers were a little surprised at the lack of trading on the London International Financial Futures Exchange yesterday. Although Chicago was closed for Independence Day, it was pointed out that London had been active on previous U.S. holidays. The low volume was at least partly the result of doubts about events and statistics which are bound to have a major impact on credit markets in London and the U.S.

Today's meeting of Opec ministers in Vienna, amid speculation of a cut in oil prices, is of particular importance to sterling denominated contracts, while next Tuesday's UK money supply and bank lending figures are not expected to be good enough to encourage the authorities to endorse lower London interest rates. London money market rates and cash gilts were very quiet and steady, further reducing any incentive for trade on Liffe.

It is anticipated that today's U.S. unemployment figures will reinforce suspicions of slow economic growth, possibly leading to a cut in the Federal Reserves discount rate, although next Friday's retail sales figures may give a better guide. Next week's Federal Open Market Committee, may also provide some clues to present monetary policy.

Figures in the table below are July 4 for London and July 3 for *Chicago*.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	92.06	92.08	92.04	92.12
Dec	91.62	91.63	91.62	91.68
March	91.21	91.22	91.20	91.27
June	90.86	—	—	90.92
Sept	90.57	—	—	90.63

Estimated volume 872 (2,870)
Previous day's open int 18,521 (18,699)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.12	88.13	88.09	88.11
Dec	88.69	88.70	88.57	88.63
March	88.81	88.82	88.79	88.79
June	88.95	—	—	88.97
Sept	89.08	—	—	89.10

Estimated volume 224 (488)
Previous day's open int 5,915 (5,910)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	110-14	110-16	110-11	110-12
Dec	110-26	—	—	110-27
March	111-02	—	—	111-03

Estimated volume 269 (2,084)
Previous day's open int 3,306 (3,160)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3045	1.3048	1.3035	1.2985
Dec	1.2920	1.2900	1.2995	1.2930
March	1.2825	1.2800	1.2795	1.2755

Estimated volume 8 (106)
Previous day's open int 4,786 (4,728)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3234	0.3312	0.3312	0.3311
Dec	0.3334	—	—	0.3333

Estimated volume 4 (12)
Previous day's open int 251 (238)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.3351	0.3959	0.3959	0.3956

Estimated volume 2 (nil)
Previous day's open int 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4049	0.4051	0.4047	0.4043

Estimated volume 2 (nil)
Previous day's open int 185 (185)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	126.20	125.90	123.90	124.70
Dec	128.40	—	—	125.30

Estimated volume 145 (425)
Previous day's open int 1,526 (1,453)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	77-11	77-13	77-10	77-17
Dec	76-10	—	—	76-15
March	75-10	—	—	75-16

Estimated volume 220 (809)
Previous day's open int 2,406 (2,473)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	77-05	77-23	77-06	77-13
Dec	76-06	76-25	76-03	76-09
March	75-06	75-21	75-03	75-09
June	74-07	74-20	74-05	74-11
Sept	73-10	73-24	73-07	73-14
Dec	72-15	72-19	72-13	72-19
March	71-21	—	—	71-25
June	70-29	—	—	71-02
Sept	—	—	—	—
Dec	69-10	—	—	69-24
March	69-00	—	—	65-05

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.94	93.03	92.89	92.93
Dec	92.61	92.70	92.56	92.50
March	92.27	92.33	92.23	92.24
June	91.96	92.00	91.01	91.93
Sept	91.70	91.74	91.65	91.67
Dec	91.47	91.51	91.41	91.44
March	91.27	91.31	91.22	91.24
June	91.07	91.10	91.02	91.05

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.33	92.44	92.32	92.35
Dec	91.92	92.00	91.89	91.93
March	91.50	—	—	91.49
June	91.13	—	—	91.13

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.04	92.14	92.00	92.05
Dec	91.60	91.69	91.56	91.60
March	91.18	91.27	91.15	91.13
June	90.82	90.91	90.80	90.82
Sept	90.51	90.60	90.50	90.51
Dec	90.22	90.31	90.22	90.22
March	89.95	90.04	89.95	89.95
June	89.70	89.78	89.70	89.70

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.3030	1.3050	1.2930	1.2950
Dec	1.2910	1.2930	1.2815	1.2830
March	1.2830	1.2870	1.2750	1.2750
June	1.2700	1.2830	1.2750	1.2710

GNMA (CBT) 8% $100,000
32nds of 100%

	Latest	High	Low	Prev
Sept	75-26	75-03	75-23	75-22
Dec	74-30	75-07	74-27	75-00
March	—	—	—	—
June	73-23	74-03	72-25	73-29
Sept	73-16	—	—	73-17

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 $ per £
Good volume in quiet trading conditions again underlined the early maturity of this new contract.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
187	201	2,250	1902

Eurodollar Future—points of 100%
With U.S. markets closed today's business demonstrated the need for an independent market in the European time zone.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
80	60	432	437

For full details of settlement prices call Louise Powell at LIFFE on 01-623 0444.
LIFFE, Royal Exchange, London EC3V 3PJ.

MONEY MARKETS

London rates hold steady

Interest rates remained steady on the London money market, with three-month interbank unchanged at 12½-12⅝ per cent, and discount houses buying rates for three-month bank bills at 12 per cent. The Bank of England did not appear to give enough help to the market, despite offering an attractive repurchase agreement. Dealers suggested this may indicate a lack of eligible bills held by the houses at present.

UK clearing banks base lending rate 12½ per cent since June 12

The Bank of England forecast a money market shortage of £950m, and although later revising this to £1,050m, provided total help on the day of only £844m.

An early round of help was offered and at that time the authorities bought £16m bills outright, by way of £10m bank bills in band 1 (up to 14 days maturity) at 12⅝ per cent; £5m bank bills in band 2 (15-33 days) at 12½ per cent, and £1m bank bills in band 3 (34-63 days) at 12½ per cent. Another £138m bills were bought outright before lunch, through £66m bank bills in band 1 at 12⅝ per cent; £52m bank bills in band 2 at 12½ per cent; £21m local authority bills in band 3 at 12½ per cent; £14m bank bills in band 3 at 12½ per cent; and £35m bank bills in band 4 (64-91 days) at 12 per cent.

In the afternoon another £500m bank bills were purchased, including £280m outright, by way of £31m bank bills in band 1 at 12⅝ per cent; £164m bank bills in band 2 at 12½ per cent; £34m bank bills in band 3 at 12½ per cent; and £51m bank bills in band 4 at 12 per cent. A further £220m bills were bought for resale to the market on July 9 at 12⅝ per cent. Late assistance of £140m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £303m, with the unwinding of repurchase agreements absorbing £498m, and Exchequer transactions £100m.

In Frankfurt call money fell to 5.40 per cent from 5.45 per cent before the Bundesbank council meeting. No change was expected in the discount or Lombard rates of the central bank, but it was hoped the authorities would continue to encourage lower money market rates through a new securities repurchase agreement. There was some disappointment therefore when the Bundesbank announced a tender for a 35 day agreement at an unchanged minimum bid rate of 5.1 per cent. The result of the tender will be known today, and funds will be available Monday when an existing 28-day agreement of DM 9.5bn expires.

MONEY RATES

July 4	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.55-5.45	10⅛	2⅝-2⅝	6¾-0⅛	6.15625	14¾-15⅛	0.20	—
One month	5.45-5.00	10⅛-10¼	5⅛-5⅞	0⅛-6⅛	6.21875	14⅛-14½	8⅝-8⅛	—
Two months	0.45-5.60	10⅛-10¼	—	—	—	—	—	—
Three months	5.45-5.60	10⅛-10⅛	5⅛-5¼	6⅝-6⅛	6.28106	14⅝-15	8⅝-8⅞	—
Six months	0.50-5.65	10⅛-10⅛	—	0½-6⅝	—	—	8¾-0	—
Lombard	0.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	0⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

July 4 1985	Sterling Certificate of Deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12½-14	12¾-12⅛	12¾-13	12½-12¾	—	—	—	—	—
2 days notice	—	—	12¾-12⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¾-13	12¾	13	12⅝	—	—	—	—	—
One month	12¾-12⅝	12⅞-12⅝	12⅛	12⅞	12½	12⅛	12⅞	12⅛	10⅛	12⅛
Two months	12⅝-12⅛	12⅛-12⅛	12⅝	12⅞	12¼	12⅛	12	12⅛	12⅛	12¾
Three months	12⅛-12⅜	12½-12⅝	12½	12¾	12⅛	12	11⅞	12	11	12⅛
Six months	12⅛-11⅛	12⅛-12⅛	12¼	—	—	—	—	11⅛	11⅛-11⅛	12⅛
Nine months	11⅞-11⅝	12⅛-12¼	—	—	—	—	—	—	—	—
One year	11⅞-11⅛	12-12⅛	11⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13¼-13	—	12⅛	7.56-7.65	7¾-8	9½-9⅝
Two months	13⅛-12⅛	—	12⅝	7.55-7.65	7¾-8	9¼-9⅝
Three months	12⅛-12⅝	—	12⅛	7.55-7.66	7⅞-8⅛	9¼-9⅜
Six months	12¼-12⅛	—	12⅛	7.7-7.6	7⅞-8⅛	9⅛-9⅛
Nine months	12⅝-12⅜	—	12⅛	7.8-8.0	—	—
One year	12⅝-12⅛	—	12⅛	8.05-8.15	8⅛-8⅜	9⅛-9⅛
Two years	—	11⅝	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11½	—	—	—	—
Five years	—	11½	—	—	—	—

ECGD Fixed Rate Finance IV: Average Rate of Interest period June 3 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from July 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.9658 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12¼ per cent; three-six months 12¼ per cent; six-nine months 12 per cent; nine-12 months 12 per cent. Under £10,000 11¼ per cent from June 27. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 4)

3 months U.S. dollars

bid 7 3/4	offer 7 7/8

6 months U.S. dollars

bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	[illegible]
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 3 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of July 3 at 11.00 a.m.
3 months: 7⅞ 6 months: 8

ECU=$US.739703 SDR1=$US1.00109
Sibor as of July 3 at 11.00 a.m.
3 months: 7⅞ 6 months: 8

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.50
Albania	Lek	7.7264
Algeria	Dinar	5.109
Andorra	Fr. Franc	8.2565
	Sp. Peseta	173.86
Angola	Kwanza	08.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.805
Australia	Dollar	1.497
Austria	Schilling	21.37
[illegible]	[illegible]	[illegible]
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	9.2565
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	3.11
Guinea Bissau	Peso	147.525
Guinea Rep.	Syli	24.4585
Guyana	Dollar	4.15
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
[illegible]	[illegible]	[illegible]
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	595.30
Peru	Sol (o)	11,358
Philippines	Peso	16.46
Pitcairn Is.	N.Z. Dollar	2.1118
Poland	Zloty (o) (5)	158.22
Portugal	Escudo	114.50
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (o) Freemarket. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential Rates. (h) Non-essential imports. (i) Floating tourist rate. (j) Venezuela: For debts incurred prior to February 1982. [illegible]

FT COMMERCIAL LAW REPORTS

Tax unaffected by retrospective change in maintenance order

MORLEY-CLARKE v JONES (HM INSPECTOR OF TAXES)

Court of Appeal (Lord Justice Oliver, Lord Justice Mustill and Sir Denys Buckley): June 28 1985

A PARENT'S tax liability in respect of child maintenance income already paid to her under a court order is unaffected by a retrospective variation of the order specifying that payments should be made direct to the child.

The Court of Appeal so held when allowing an appeal by the Inland Revenue from Mr Justice Lincoln's decision to set aside an assessment to income tax made on Mrs Angela Morley-Clarke in respect of child maintenance payments.

Section 31 of the Matrimonial Causes Act 1973 provides: "Where the court has made an order to which this section applies, then, subject to the provisions of this section the court shall have power to vary . . . the order. . . ."

* * *

LORD JUSTICE OLIVER said that Mrs Morley-Clarke's marriage was dissolved on April 18 1969.

On that date a consent order was made ordering the husband to pay maintenance to her for her child under the Matrimonial Causes Act 1965.

The tax position at that time was that the income of an infant child of divorced parents was aggregated with that of the custodial parent, and the child had no separate personal allowance.

As a result of section 16 of the Finance Act 1971 those provisions ceased to have effect from tax year 1972-73 onwards, and it became the practice to order that periodical payments should be paid direct to the child so that they formed part of his income and he could claim his own personal allowance.

From then onwards parents receiving maintenance under orders in the form of Mrs *Morley-Clarke's 1969* order were at a distinct disadvantage compared to those who received similar payments on behalf of their children, for it had been established in *Stevens v Tirard [1940] 1 KB 204* that moneys paid under such an order were the income of the recipient parent.

Mrs Morley-Clarke applied to the court for a variation of the 1969 order and it was varied by consent so that the husband, as from November 14 1979, was to make payments to the child.

In February 1980 the 1979 order was varied by consent by striking out November 14 1979 as the date for commencement of the periodical payments, and substituting April 18 1969.

Mrs Morley-Clarke contended that the effect of the 1980 order was to convert retrospectively the payments which she received 1975-78 to 1979-80 into payments to the child, and thus retrospectively to deprive those payments of the quality of being her income.

The General Commissioners felt unable to accede to that. Mr Justice Anthony Lincoln held they were wrong.

On the present appeal the Revenue confined its arguments to whether retrospective variation of the order could extend to substituting a different person as beneficiary; and whether such retrospective variation could alter fiscal consequences of the original order which had already attached.

The judge had held that the retrospective substitution of a new payee could be achieved under the court's power of variation where the intended beneficiary of the payment remained the same as before.

The question was purely one of construction of the statutory provisions authorising the making and variation of periodical payments.

After considering the sections contained in Part II of the Matrimonial Causes Act 1973 as a coherent whole, his Lordship concluded that it was open to the court under section 31 to vary an order in the 1969 form by substituting a new payee.

If that was right it followed that it was perfectly proper to vary the 1969 order in the way in which it was varied by the 1979 order, and that that order was properly to be regarded as a section 31 variation of an order for "child maintenance" made under section 23 (1) (d).

Allowing that section 31 enabled an order to be varied retroactively, in the sense of covering a period already past, there was no reason why, as a pure matter of logic, variation should not combine the two features of change of payee and retroactivity.

The 1980 order was therefore a retrospective variation of the 1969 order rather than an entirely new exercise of the power to order periodical payments for child maintenance.

However, the effect of variation in that way was an altogether different matter. Mr Potter's argument for the Revenue was that a retrospective order could not undo the past and convert something that had already happened and to which legal consequences had already attached, into something else which never did happen.

Thus, it was argued, even though the 1980 order created a new obligation on the husband to pay his child from 1969, it could not alter the fact that Mrs Morley-Clarke had actually received sums which, when received, were undoubtedly her income and on which she was taxable.

The logic of that seemed inescapable. But the judge felt able to escape from it by the application of certain authorities dealing with rescission or rectification of a subsisting contract *(see Spence 24 TC 311; Slocock [1979] 1 All ER 358; Young (No 2) [1962] P 218)*. Those were not of much assistance in resolving the problem raised by the present appeal.

Some reliance was placed by Mr Potter on *Dodsworth [1936] 2 KB 503* which was concerned with the effect of a nullity decree. The Revenue sought to raise assessments on the taxpayer on the footing that since the marriage was nullified *ab initio* he was not entitled to a married person's allowance.

It was held that the effect of the decree, albeit retrospective in declaring the marriage void *ab initio*, was not to undo what had been done during the *de facto* marriage.

That case did provide some assistance as showing that what mattered for fiscal purposes was the reality as it existed in the year of assessment.

When one was examining the fiscal consequences of what had actually been said, one could not even by order of the court retrospectively overturn reality.

It was within the power of the court to make the order that it did under its power of variation in section 31. The effect of that was simply to create an obligation on the husband as from date of variation to pay the child the specified sums calculated over the specified term.

Retrospective variation in the present case could not alter or expunge the fact that sums were paid to Mrs Morley-Clarke under an obligation existing at the time of payment.

Section 65(3) of the Income and Corporation Taxes Act 1970 provided that tax on small maintenance payments should be "computed in all cases on the payments falling due in the year of assessment."

Mr Thornhill, for Mrs Morley-Clarke, argued that where an order for payment of periodical sums was made in respect of a past period, the sums were to be attributed to the period in respect of which they were to be attributed under the order.

It was an eccentric construction of "due" to say that payments could fall due at a time when in fact there never was any obligation to make them.

Something was "due" only when there was in existence a legally enforceable obligation to pay it. Where the obligation stemmed solely from an order of the court, nothing became "due" before the date of the making of the order.

The appeal should be allowed.

Lord Justice Mustill agreed.

SIR DENYS BUCKLEY also agreeing, said that the Inland Revenue was not a party to the proceedings in which the relevant orders were made. Those orders consequently could not affect the Inland Revenue.

For the Revenue: Charles Potter QC and Michael Hart (Inland Revenue Solicitor).

For Mrs Morley-Clarke: T. Scott Baker QC and Andrew Thornhill QC (Potter and Kempson, Farnham).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,761

ACROSS

1 Many unconventional people become carpenters (8)
5 A little cleaner but badly rusted (6)
9 Possibly no blame attached to Northern aristocrat (8)
10 Difficult to find youth leader in a Herts town (6)
11 Prison food (8)
12 It's prudent when taken in by American customs (6)
14 Current producer ran to later designs (10)
18 Train one in the course of a term (10)
22 Chooses steel production around the start of the century (6)
23 Without going into public transport point to commercial activity (8)
24 Need about four in the plant (6)
25 He's to be found on board (8)
26 Cheat, seeing a couple of old coppers in trouble, lied about them (8)
27 Baby on miniature railway fighting men (8)

DOWN

1 Covering the article with a reproduction case (6)
2 Strip when back in the hotel, which is natural (6)
3 During match return tiny bird (6)
4 The preacher gives Lent s new look (10)
6 Being well-informed, is to telephone about the rebellion (8)
7 Drive dangerously close to dock entrance (8)
8 The boy is to prove where the bride and groom signed (8)
13 The engineers have an answer to the formal proposal (10)
15 Redhead always close to a clergyman (8)
16 Brilliant rider turned up and prepared to follow Len (8)
17 With the last five playing it's an occasion for celebration (8)
19 Films a nice setting around Maidenhead (6)
20 Musical group ready to accept poor Tex (6)
21 Hence returns to the quarry for some feathers (6)

Solution to Puzzle No. 5,760

GODIVA DEADWOOD
DEFINE MILLPOND
BARRACKS SWATHE
UIST SLAVERY
SECRETE MOAN
CLEAVE DOMINATE
TRIANGLE ASSIST
CREOSOTE CANNON

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0202 292373

High Income				
Gilts & Fixed Int.	110.4	116.9	-0.2	10.27
High Inc Equity	69.3	73.7	-0.1	6.72
Worldwide Bond	143.7	152.9	-0.7	6.34
Capital Growth				
American Growth	135.0	143.6	-1.1	2.19
Asian Pacific	46.9	49.9	-0.5	2.50
Assets & Enrgs. Tr.	72.8	76.8		2.92
Capital Reserve	57.1	57.4	+0.1	—
Commodity & Engy	67.9	72.0		3.44
General	102.9	109.1	+0.5	3.49
Japan	146.5	157.6	-0.7	—
UK Growth Acc Units	97.5	105.2	-0.5	—
UK Growth Dist	68.8	74.0	-0.3	2.09
U.S. Emerging Co's	55.0	59.9	-0.2	0.44
Equity Prog.	133.9	144.6	+0.4	3.49

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd	105.6	113.0	-1.0	0.10
Pacific Fd	120.2	128.6	-1.0	0.30
Secured Income Fd	137.8	147.4	-0.8	5.50
Special Sits	151.0	161.5	-1.4	1.56
Energy Fd	33.9	35.3	-0.2	0.60
American Majors	58.0	62.1	-0.4	1.56
Small Co's Fd	27.4	29.8	-0.3	1.97
Jap. Technology	55.0	58.8	-0.5	0.10
International Income	49.8	53.3	-0.1	7.00
Exempt	443.6	474.6		—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Hutton, Brentwood, Essex. Brentwood (0277) 211459 & 229123

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	60.2	64.0	...	3.54
Accum Units	85.9	90.6	...	3.54
Pearl Inc	38.9	41.4	+0.2	5.19
Pearl Unit Tst	89.2	90.9	+0.2	4.40
(Accum. Units)	150.7	160.3	+0.3	4.40

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	178.4	191.5	....	1.49
Income	133.2	142.7	..	5.42
Worldwide Recovery	101.4	108.9	.	2.10
American Growth	57.6	61.6	.	0.85
Intl. Emerging Cos.	56.9	61.1	.	0.77
Far East Growth Fd.	46.9	50.3	...	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	102.0	109.3	-0.2	0.35
Prolific Extra Inc	59.5	64.0	....	6.22
Prolific Gilt Cap.	80.0	83.2	..	3.31
Prolific High Inc	121.9	131.1	....	5.69
Prolific Intl.	83.4	89.4	..	1.86
Prolific N. Amer				
Prolific Spec. Sits	130.9	140.7	-0.6	1.38
Prolific Technology	102.5	109.8	-0.9	0.88

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.8	51.7	+0.1	0.00
Worldwide	48.0	50.8	-0.2	1.63
European Trust	48.5	51.4	+0.1	1.68
North American	52.0	55.1	-0.7	2.06
U.K. Equity	48.0	50.8	+0.2	4.01

Prudential Unit Trust Mngrs. Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	307.2	326.8	+1.6	3.77
Holborn Gilt Tst	149.9	157.0	+0.3	8.95
Holborn High Inc	52.7	56.0	+0.1	7.62
Holborn Intl.	60.2	64.0	-0.2	0.55
Holborn U.K. Growth	61.1	65.0	+0.4	3.31

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	302.8	322.2	---	3.84
Quadrant Income	168.8	179.6	..	7.00
Quadrant Intl. Fund	299.0	314.8	--	1.51
Quadrant Recovery	185.3	197.2	.	3.62

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432 3

TSB American	98.	104.8	-0.8	1.13
Do. Accum.	101.4	107.9	-0.8	1.13
TSB Extra Income	83.2	88.6	-0.3	6.51
Do. Accum	92.6	98.6	-0.3	6.51
TSB General	114.0	121.2	+0.5	1.47
Do. Accum.	181.8	193.4	+1.0	3.47
TSB Gilt & Fxd Int	46.7	48.7	+0.1	9.48
Do. Accum	56.3	58.7	..	9.50
TSB Income	154.9	164.8	-0.1	5.29
Do Accum.	233.4	248.4	-0.3	5.29
TSB Pacific	104.3	112.0	-0.8	1.06
Do Accum	106.9	111.6	-0.8	1.06
TSB International	228.8	243.5	-0.8	1.90
Do Accum	278.5	296.3	-1.0	1.90
Natural Resources	43.8	46.7	-0.1	2.63
Do. Accum.	44.3	47.2	..	2.62
TSB Sltd. Opps.	44.4	47.3	-0.1	2.77
Do. Accum	47.8	50.9	.	2.75

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	67.0	71.7	-0.6	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	67.5	72.2	-0.2	0.36
Australia	26.3	28.1	-0.2	0.10
Commodity	91.6	97.4	-0.4	1.77
Energy	41.2	44.1	-0.3	0.79
Equity	92.1	98.2	-0.5	4.01
European Spec. Sits.	51.1	54.7	+0.5	0.2
Extra Income	87.5	93.6	-0.4	7.75
Financial	192.2	205.0	.	3.01
Gilt Capital	214.6	224.7	+0.1	3.25
Gilt Income	100.8	105.6	+0.1	9.07
Gold Income	59.6	64.0	+0.3	2.39
Gold Acc.	108.0	115.5	+0.3	2.39
Income	55.9	60.1	..	6.23
Japan	45.0	48.0		0.10
Malaysia & Singapore	33.8	36.4	-0.4	1.16
Pacific Income	65.6	70.2	-0.6	0.89
Pacific Re Inv.	79.5	85.0	-0.3	8.89
Preference Share	15.6	16.9	....	10.05
Professional	458.2	488.7	-1.1	1.78
Special Sits	79.9	85.5	.	2.63
Technology	42.2	45.1	-0.2	0.10
U.S. Special Bond	49.9	53.4	-0.1	6.36
Worldwide Capital	108.5	115.7	-0.2	1.80
Equity Exempt July 3	591.7	631.1	..	2.60
Equity Ex Acc July 3	1,087.4	1,159.9	..	2.60

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031 225 2211

Property	105.2	110.7		—
UK Equity	119.2	125.6	+0.2	—
American	134.9	142.1	-0.6	—
Pacific	100.0	105.4	-1.0	—
European	120.3	126.7	+0.1	—
International	115.6	121.8	-0.6	—
Fixed Interest	101.8	101.2		—
Index Linked	100.9	106.3		—
Deposit	103.1	108.6		—
Managed	111.7	117.7	-0.2	—
Pens. Property	109.2	115.1		—
Pens. UK Equity	124.0	130.6	+0.2	—
Pens. American	142.2	149.8	-0.9	—
Pens. Pacific	102.0	107.5	-1.0	—
Pens. European	125.1 111.8	131.7		—
Pens. International	120.6	127.0	-0.7	—
Pens. Fixed Int.	109.2	130.8	+0.1	—
Pens. Index Linked	103.8	109.4		—
Pens. Deposit	109.2	114.6		—
Pens. Managed	115.6	121.7	-0.2	—

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	314.0	330.6		—
Property Acc.	196.8	207.2		—
Equity Acc.	427.3	449.8		—
Fixed Interest Acc.	182.3	191.9		—
Index-Linked Acc.	104.0	109.5		—
Cash Acc.	166.6	175.4		—
American Equity Acc.	179.5	189.0		—
U.S. Bonds Acc.	108.6	114.4		—
Japan Acc.	112.9	118.9		—
Pacific Acc.	104.7	110.3		—
Far Eastern Acc.	238.5	251.1		—
International Acc.	226.9	238.9		—
U.S. Dollar Acc.	102.4	107.8		—
Yen Acc.	95.8	100.9		—
European Currency Acc.	94.7	99.7		—
Distribution	141.3	148.8		10.14

Sun Life Pensions Management Ltd
(funds for individual pension contracts)

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd

Tunbridge Wells Equitable

Tyndall Assurance/Pensions

UK Life Assurance Co Ltd

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS

Arbuthnot Securities (C.I.) Ltd. (a)(c)(h)
P.O. Box 428, St. Helier, Jersey. 0534 76077

Dollar Income Tst (z)	$1.037	1.088	-0.001	11.03
Gov't Secs. Tst.	73.2	76.5		13.02
Yen Bond*	Y200	210		5.71
Sterling Fdr	181.2	101.3		—
Japan Growth*	216.3	259.0		0.43

Next dealing *July 11. †July 3

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey. 0534 75141

Dollar Fund	$10.11	10.24	1.24
Sterling Fxd Interest	9.40	9.43	10.49

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

EBC Trust Company (Jersey) Ltd.
1-3 Seale St, St Helier, Jersey 0534-36331.

International Income Fund

US$ Dep Short R	$1.4024	—	9.66
Do. Dist.	$1.0257	—	9.66
Med.Cur.Stl't term 0.	$1.1551	—	8.00
Do. Dist	30.8815	—	8.00
Eurodl.Long Term	$22.59		10.00

European Banking Traded Currency Fund*

Income	$9.97	10.47	+0.09	8.26
Capital	$10.68	11.02		8.26

*Offer price includes 1% prelim. charge

European Banking Currency Income Fund*

Income	£10.00	10.510

*Offer price includes 5% prelim. charge.

Hambros Fd. Mgrs. (C.I.) Ltd.
PO Box 86, Guernsey 0481-26521

C I Fund	470.1	500.7	2.49
Special Sits. Fund	180.2	189.7	1.77
Sterling Income Fund	108.3	112.8	10.64
Dollar Income Fund	$1.063	1.115	10.76
Intnl. Bond	$106.51	112.33	9.40
Int. Equity	$24.03	25.29	0.73
Amer Spec Accts	$1.11	1.17	
Amer Equity Inc	$1.8	6.0	6.3
Savings Fund A	$1.98	2.08	—
Savings Fund B	$2.72	2.86	—
American Growth	$4.82	5.08	—

Currency Fund

Sterling Shares	£19.84	19.85	12.70
U.S. $ Shares	$16.29	16.30	6.61
DM Shares	DM41.80	41.81	5.12

Manufacturers Hanover Geofunds
PO Box 92, St Peter Port, Guernsey. 0481-23961

Com. Bds.	$10.47	10.99	—

Dealing day daily

LA Inc	$106.90	107.13
LA Acc	$149.37	149.68

Dealing day Thursday.

Midland Bank Tst. Corp. (Jersey) Ltd.
28-34, Hill St, St Helier, Jersey. 0534 72156

Md. Bk. O'shore Gilt	101.0	101.5	-0.1	11.82
Md. Bk. Int. Bond	$1.09	1.10	+0.01	7.27

Minerals, Oils Res. Shrs. Fd. Inc.

Royal Trust International Fd. Mngt. Ltd.(a)

SCITECH S.A.

Save & Prosper International

S.G. Warburg & Co. Ltd. and subsidiaries

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.27	+0.05	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$12.97	+0.05	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.12	—
Dynamic Grth Fd.	$8.21	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	12.83	9.99	14.10	6-mth
7-day Fnd	12.34	9.23	13.62	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	12.35	9.23	13.62	3-Mth
7-day Fund	12.32	9.21	13.59	6-Mth
Dollar	7.00	—	—	6-Mth
Money Mngt. Acct.	12.125	9.06	13.59	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF			031-225 8484	
Full Service Chq Acc	12.25	8.75	13.04	Qtr
Aitken Hume 30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	12.375	9.25	13.07	Qtr
Agtn. Int. Chq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH.			01-628 8060	
Cheque Acc	11.90	8.89	13.20	Mth
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int. Cheque	12.00	8.875	13.24	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL.			01-588 2777	
Cater Allen	12.06	9.02	13.42	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	12.25	9.16	13.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Markt	4.75	4.75	4.85	Mth

Citibank Savings

Co-operative Bank Cheque & Save

Darlington & Co Ltd

Edward Manson & Co Ltd

Henderson/Bank of Scotland

Lloyds Bank PLC

Lombard North Central PLC

M & G/Kleinwort Benson

Midland Bank plc

Provincial Trust (formerly Cheshunt)

Royal Bank of Scotland plc

Save & Prosper/Robert Fleming

Tyndall & Co

J. Henry Schroder Wagg & Co Ltd

Western Trust & Savings Limited

NOTES

OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

MARKET REPORT

Steadier trend in electronic sector prompts general recovery among equity leaders

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 9.30 am two business days earlier.

The tone improved slowly yesterday as London equities made another effort to recover fro mthe recent series of reverses brought about by the troubles of the UK electronics industry. Investors were cautious at the outset in view of the easier trend on Wal Street overnight and that market's closure for the July 4 Independence Day celebrations. Conflicting views on the outcome of the Opec meeting, which starts today, were another restraint.

Traders focused their attention on the Electrical sector, the trend of which ultimately decided the market's course for the day. An adverse Press on STC caused dealers to lower prices of all electrical issues at the opening, but little fresh selling developed and professional bear-covering soon touched off a recovery. Cheap buyers were attracted and, although leading stocks settled below the best levels, the sector appeared to be steeling itself for another test today on the Thorn EMI preliminary results.

Other first-line industrials took heart from Lord Hanson's statement at yesterday's egm that Hanson Trust, which has a large market following, will record further excellent progress this year; the outcome of Hanson's £519m rights issue is keenly awaited. From midday onwards interest faltered and values softened before hardening agin in the after-hours' trade. The pound's continued strength failed to check the advance and the upshot was that the FT Ordinary share index closed 9.6 up at the day's highest of 951.9.

Still in the throes of adjusting to the abolition of Capital Gains tax, Government securities benefited little from sterling. Early business was completed without affecting the existing price structure in a market contemplating the likely outcome of the Brecon and Radnor by-election. During the afternoon quotations edged higher but final gains were minimal among both short- and longer-dated stocks.

ATA Selection, a specialist employment agency, began life in the Unlisted Securities Market quietly and closed at 60p compared with the placing price of 69p.

Clearers up again

Clearing banks moved forward impressively, still drawing strength from broker's circulars forecasting good half-yearly figures when the interim dividend season gets under way at the end of the month. NatWest, scheduled to report on July 30, closed 17 higher at 690p, while Barclays firmed 12 to 400p. Midland ended 8 better at 388p and Lloyds 7 to the good at 405p. Bank of Scotland added 15 at 395p and Royal Bank of Scotland put on 4 to 274p. Elsewhere, Standard Chartered rose 10 to 498p in response to Press comment.

Composites were outstanding in Insurances as buyers began to show increased interest ahead of the half-yearly dividend season, which is due to start early next month. Speculative favourite Commercial Union put on 8 to 211p and Sun Alliance firmed 10 to 463p. GRE advanced 13 to 713p, while rises of 16 and 22 respectively were seen in General Accident, 623p, and Royals, 685p. Lloyds Brokers rallied with C. E. Heath closing 15 better at 595p in the wake of the annual general meeting.

Regional Breweries were highlighted by fresh strength in Welsh concern Buckleys which responded afresh to talk of Mr Nazmu Virani acquiring a stake with an advance of 5 to 63p, after 64p. Greene King held at the overnight level of 180p after revealing preliminary profits in line with most market estimates. Greenall Whitley eased a penny to 159p following confirmation of the acquisition of West Midlands brewers J. P. Simpkiss for £1.9m in shares and cash.

The recent low level of interest in the Building sector failed to expand, but quotations were often inclined harder. Redland provided one of the few noteworthy movements with a gain of 6 to 271p, while Blue Circle, 513p, and BPB, 237p, both improve a few pence. Vectis, awaiting further news of the bid approach, rallied 2 to 56p.

Among Chemicals, Allied Colloids, which suffered a sharp setback last week on disappointing preliminary figures, met with a revived selling and fell 15 to 153p.

Debenhams buoyant

The Debenhams / Burton imbroglio returned to the fore amid strong rumours that the bid, vehemently resisted by Debenhams from the outset, will escape a referral to the Monopolies Commission. Burton advanced to 468p before closing 15 higher on balance at 461p, while Debenhams, sharply better at the start of the session, settled a net 23 up at 381p, after 386p. Habitat Mothercare also attracted persistent and often sizeable support and rose 18 to 382p with the 9½ per cent Convertible 12 points up at £259.

Another busy and eventful session in the Electrical leaders saw Thorn EMI rally 15 to 344p in front of today's preliminary statement—the Board have forecast lower profits for the year but a maintained dividend. Plessey recovered from a lower opening level of 116p to close 6 higher on balance at 124p, while Racal hardened a couple of pence to 128p, after 132p. STC, down 26 on Wednesday, began sharply easier at a 1985 low of 100p following a bad Press on the first-half profits warning, but recovered smartly to 114p on the appearance of buyers before closing a net 2 lower on the day at 110p. BICC having been relatively unscathed of late, came on offer and dropped 12 to 193p. Double-figure falls littered secondary stocks. Continental Microwave fell 15 to 310p as did MicroFocus, to 210p, while Logica declined 12 to 163p and Memec gave up 10 at 260p. Lec Refrigeration, on the other hand, rose 5 more for a two-day rise of 23 to 258p; speculative buying of the latter has been aroused by the death of director Mr David Purley. Elsewhere BSR picked up 5 at 60p.

Suggestions that U.S. financier Saul Steinberg may be building up a fresh stake in the company prompted a flurry of activity in Vickers, which touched 300p before settling 10 higher at 295p. Among other Engineering leaders, GKN improved 7 to 235p and Hawker were 6 better at 405p. Vosper, an erratic market since the announcement of preliminary figures, lost 20 to 180p. John Brown touched 37p before settling only a penny firmer at 34p on further consideration of the Trafalgar House deal. Howard Machinery were temporarily suspended, at 7p, pending an announcement from the company.

Features were few in the Foods sector. Maynards, supported earlier this week following Press speculation of an imminent bid from Ward White, firmed 10 afresh to 350p, after 355, in response to the announcement that WW had increased its stake in the company to well over 12 per cent. Revived speculative buying pushed Albert Fisher up 7 to 109p.

Thermal Synd. good

Support materialised for selected miscellaneous industrials after a rather uncertain start. Beecham showed to advantage with a gain of 8 at 323p, while Metal Box firmed 7 to 464p and Glaxo hardened ¼ to £12¼. The forecast of another excellent year gave a boost to Hanson Trust, which improved 4 to 186p. Renewed speculative demand ahead of the interim figures, expected soon, left TSL Thermal Syndicate up 20 more at 280p, but Pentland encountered further offerings and gave up 30 at 870p. Profit-taking clipped 7 from Macarthys Pharmaceuticals, at 186p, while postponement of the launch of a new range of computers in the U.S. brought a reaction of 5 to 130p in Applied Computer. Comment on the preliminary figures caused a further rise of 5 to 224p in Wedgwood. Wolverhampton Steam gained 4 to 48p on speculative interest but Sutcliffe Speakman eased a penny more to 33p following poor results. United Parcels, still reflecting Press mention, improved 5 further to 82p.

Motor Distributors provided contrasting features in C. D. Bramall and Lex Service. Bramall, the Ford main dealer which recently acquired Manchester-based Manor National, advanced 7 more for a gain so far this week of 23 to 175p. Lex Service, however, slumped to 159p before rallying to 167p, a fall of 10 on the day on cautious comment about its U.S. electronics operation. Elsewhere, late support was noted for Lucas, 5 dearer at 316p.

Advertising agencies tended to lose ground. Fading hopes of a bid from Eurocom of France left Geers Gross another 4 off at 61p, after a 1985 low of 60p.

Properties plotted an irregular course in moderate trading. Dacian rose 10 to 400p following the annual results and Towngrade improved 2 to 40p awaiting further news of the bid approach from Millbank Development. Greycoat dipped 6 to 192p and Marlar Estates relinquished 5 at 125p.

British and Commonwealth Shipping gave up 6 at 235p following the buy-out of certain minority interests in a £62.7m deal; the associate Caledonia eased a couple of pence to 210p.

Textiles again lacked a decided trend. Dawson International turned reactionary and fell to a 1985 low of 248p before settling 6 cheaper on balance at 252p.

Oils dip and rally

Leading oils were marked lower at the outset following a report that preliminary discussions between a number of Opec oil ministers had failed to bring about a concensus of agreement on oil pricing levels prior to today's full meeting of ministers in Vienna. Initially depressed levels, however, quickly attracted a number of cheap buyers and the top-quality stocks were showing marginal gains on balance at the close. BP moved up 5 to 525p, Enterprise added 4 at 166p and Britoil put on a like amount to 212p, after 215p; the last-named is scheduled to report interim results a week today. Shell moved narrowly and settled only a shade easier on balance at 696p. Interest in the secondary oils contracted to minimal levels. Falcon Resources slipped back to a 1985 low of 58p early on prior to steadying and ending the session a net 2 firmer at 62p. New London, on the other hand, retreated 10 to 110p. Dealers reported a good two-way business in Energy Capital which improved to a 1985 high of 74p in the morning before reacting on profit-taking and closing 2 off on balance at 68p.

In otherwise idle Plantations, Grand Central touched a new 1985 peak of 16p before closing 2 dearer on balance at 15p following the disclosure that Peacock (London) had purchased 74.35 per cent of the company from Kuril Enterprises. Bertam, on the other hand, eased 3 to 144p following full-year figures. Dealings in Kuala Lumpur Kepong were suspended, at 82p, after similar action in the Far East.

The closure of U.S. markets for the Independence Day holiday ensured a quiet day in mining markets. Bullion managed a minor improvement on the day and settled a net 25 cents firmer at $310.75 an ounce.

South African Golds continued to attract a steady stream of buying orders from Johannesburg but these were mainly directed towards the top-quality issues and the second-line stocks were largely ignored. The upshot was that the leaders showed widespread small gains but these were offset by general weakness in the lower priced issues. The Gold Mines index mirrored the overall trend in the sector and showed a 1.5 decline at 405.7, a movement which also reflected the strength of the sterling/dollar exchange rate.

Randfontein were an outstanding performer in the leaders and moved up £1¾ to £74¾ while Winkelhaak added ½ at £19½. Marginal gains were registered by Driefontein, £18½, Kloof, £29¾ and Southvaal, £30¼. On the downside, Vaal Reefs dipped ¾ to a 1985 low of £65½, as did St Helena, to £12¾.

South African Financials provided a couple of firm features in "Amcoal," which moved up ½ to £21, and Gold Fields of South Africa, a like amount to the good at £12¼. UK-based stocks were encouraged by the firm showing of domestic equities. Rio Tinto-Zinc revived with an 8 improvement at 558p. Consolidated Gold Fields hardened 4 to 502p and Charter Consolidated added a few pence at 180p.

Platinum shares remained out of favour and drifted easier throughout the session. Lydenburg fell 10 to 495p, as did Rustenburg, to a 1985 low of 590p, while Impala retreated 6 to a low of 702p.

Persistent talk of an alluvial diamonds discovery boosted junior Australian explorer Gem Exploration a further 10 to a year's best of 104p.

Traded Option volume decreased sharply with only 3,286 calls and 1,957 puts transacted. The FT-SE 100 index option accounted for 301 trades.

FINANCIAL TIMES STOCK INDICES

	July 4	July 3	July 2	July 1	June 28	June 27	Year ago
Government Secs.	82.07	82.03	81.96	81.82	81.70	81.86	78.08
Fixed Interest	86.85	86.78	86.74	86.27	86.38	86.42	83.40
Ordinary	951.9	942.3	954.5	952.8	938.6	933.9	832.5
Gold Mines	403.7	407.8	406.9	420.8	425.1	432.9	552.4
Ord. Div. Yield	4.82	4.91	4.86	4.87	4.23	4.95	4.77
Earnings, Yld.% (full)	10.18	12.21	12.17	12.20	12.36	12.41	11.07
P/E Ratio (net) (*)	10.03	9.99	10.04	10.01	9.88	9.84	10.86
Total bargains (Est.)	10,460	20,093	21,099	22,190	22,628	21,266	16,452
Equity turnover £m.	—	286.70	359.78	288.20	570.20	400.58	182.84
Equity bargains	—	18,830	19,108	20,912	20,165	18,762	12,764
Shares traded (ml)	—	156.1	219.5	164.1	211.9	205.5	103.1

10 am 942.8. 11 am 945.1. Noon 948.5. 1 pm 950.4.
2 pm 949.8. 3 pm 949.7.

Basis 100 Govt. Secs. 15/2/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.71.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.17 (19/6)	78.02 (28/1)	127.4 (9/1/35)	49.18 (6/1/75)
Fixed Int.	86.86 (4/7)	82.17 (28/1)	150.4 (28/11/47)	50.25 (6/1/75)
Ordinary	1024.5 (22/1)	928.7 (6/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.8 (15/4)	406.7 (4/7)	734.7 (12/2/83)	43.3 (28/10/71)

S.E. ACTIVITY INDICES

	July 2	July 3
Daily		
Gilt Edged Bargains	118.8	128.5
Equities Bargains	128.5	193.8
Value	570.5	727.9
5 day Average		
Gilt Edged Bargains	116.6	117.9
Equities Bargains	127.1	124.5
Value	689.4	796.1

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (30)

BRITISH FUNDS (5)
Treas. 8½pcCnv. '85; Conv. 3½pc '61 Aft.; Exch. 2½pc 1987; Treas. 3pc '66 Aft.; Treas. 9pc 1992-96

INTL. BANK & O'SEAS GOVT. STLG. ISSUES (2)
African Dev. Bk. 11½pcLn 2010; Asian Dev Bk. 10½pcLn 2009

BANKS (2)
Commerzbank; C'hagen Handelsbnkn.

BREWERS (1)
Buckley's Brewery

STORES (1)
Ratners

ELECTRICALS (1)
Compania Telefonica

ENGINEERING (4)
BM Group; Priest 9pcCnv.Rd.Pf.; Carclo Eng.; Wagon Industrial

FOODS (1)
Maynards

INDUSTRIALS (1)
Ozalid 9pcCnv.Ln. 1987-92

INSURANCE (1)
Taisho Marine

LEISURE (1)
Intasun Leisure

MOTORS (1)
Bramall (C. D.)

PROPERTY (1)
Property Partnership

TEXTILES (1)
Beales (J.)

OILS (5)
Energy Capital; Magnet Group; Fishermen's Petrlm.; Dixshorn Oil; Leonard Oil

PLANTATIONS (1)
Grand Central

MINES (1)
Gem Expln. & Minerals

NEW LOWS (81)

BRITISH FUNDS (1)
Conversion 9½pc 2001

AMERICANS (2)
Amax; Bethlehem Steel

CANADIANS (1)
Massey-Ferguson

BANKS (1)
Hambros

BUILDINGS (3)
Bailey (Ben); Rugby Port. Cement; May & Hassell

CHEMICALS (1)
Morley (R. H.)

ELECTRICALS (22)

INDUSTRIALS (14)
Baynes (Charles); Robertson Research; Berisfords; Securicor; CH Industrials; Do. A NV; DPCE; Security Services; Dinmond Stylus; Siebe; European Ferries; Scaffs. Potts. 10pc Cnv.Rd. Pf.; Granada; Rexmore

MOTORS (1)
Lex Service

PAPER (2)
BPCC; Geers Gross

PROPERTY (3)
Berkeley & Hay Hill; Marlborough Sec.; Naslemere Estates

TEXTILES (2)
Dawson Intl.; Strond Riley Drmnd.

TRUSTS (7)
Berry Trust; Baltic; Gresham House; F. & C. Enterprise; New Australia Inv.; Haw Par Bros.; Rights & Issues Cap.

OILS (4)
Berkeley Explo.; New London Oil; Falcon Res.; Norsk Hydro

OVERSEAS TRADERS (2)
Finlay (James); Sime Darby

PLANTATIONS (1)
Cons. Plants.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Burton	461	+13
Debenhams	381	+23
Electrocomponents	258	− 2
Ericsson B	£22⅞	− 2⅛
Ferranti	118	+ 4
Habitat Mothercare	382	+18
Legal and General	683	+ 1
Lex Service	167	−10
Racal Elects.	128	+ 2
STC	116	− 2
Thorn EMI	344	+13
Vickers	295	+10

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or
[illegible]							
265	Nil	—	88½pm	19½pm	Mills & Allen	20pm	......
180	Nil	—	17½pm	3pm	Sunlight Service 10p	3pm	......
570	F.6.	—	408	382	Taylor Woodrow	409	......
600	Nil	—	90pm	43pm	Union Discount £1	35pm	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. † Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	33	58
Corpns. Dom. and Foreign Bonds	4	2	71
Industrials	232	288	942
Fin. and Props.	116	77	358
Oils	23	20	84
Plantations	1	3	14
Mines	41	39	99
Others	25	112	99
Totals	461	574	1,725

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 24	July 5	Sept 26	Oct 7
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4

For rate indications see end of Share Information Service

Money was given for the call of STC, Monument Oil and Gas, Bristol Channel Ship Repairers, Parkland, Burnett and Hallamshire, Flextech, Australia and New Zealand Banking, Falcon Resources, Thorn EMI, Legal and General, GEC, Terrex, International Signal and Control, Microfocus, Bridport Gundry, Westland and Carless Capel and Leonard. No puts or doubles were reported.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed close	Day's change
Thorn EMI	26	329	−31
STC	20	112	−26
ICI	17	746	−11
BTR	16	343	−13
GEC	14	158	− 8
Grand Met.	13	295	+16
Barclays	12	388	+ 1
Racal Elects.	12	126	− 2
Beecham	11	313	− 8
Br. Aerospace†	11	180	− 3
Euro. Ferries	11	118½	− 3½
Midland Bank	11	380	—
Prudential	11	638	−10
Royal Insce.	11	663	+ 3

† Partly-paid.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 23,329

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*393)	460	70	87	—	3	2	—
	600	52	47	62	4	18	97
	256	5	22	87	26	42	48
	600	1	10	20	60	63	66
Cons. Gold (*426)	460	60	65	—	3	[illegible]	[illegible]
	500	16	32	50	14	[illegible]	[illegible]
	350	4	17	50	33	[illegible]	[illegible]
	600	1	4	16	105	[illegible]	[illegible]
Courtaulds (*149)	130	14	21	24	1½	[illegible]	[illegible]
	140	7	14	10	4	[illegible]	[illegible]
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Lonrho (*187)	160	15	12	21	4	2½	9
	180	3	7½	16	13	16	61
	200	1	—	—	34	—	—
P. & O. (*356)	300	63	—	—	9	—	—
	336	36	46	26	6	6	13
[illegible]							

July 4 Total contracts 5,243. Calls 3,286. Puts 1,957

* Underlying security price

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
104	29	Marley	79		3.75	2.2	6.8	9.6
107	52	Marling Ind. 10p	91		td3.0	5.6	2.0	10.7
74	36	Marshall L'sy. 'A'	63	+3	2.4	4.9	5.4	4.5
77	61	Marshall's Universal	65	+1	2.0	1.4	4.4	(20.6)
86	78	Do. 7½pcCnRedPf £1	81xd		7½%	—	13.2	—
22	22	Martin-Black	22¼		—	—	—	—
£97	£81	♥Mathesons 7¾%	£95		Q7¾%	2.3	18.5	—
35	26	♦Maxiprint 1p	30	-1	—	—	—	—
477	375	Metal Box £1	464	+7	12.25	3.1	5.3	7.0
170	136	Metal Closures	137		6.7	2.0	7.0	8.6
17	♦	♦Metal Sciences 2½p	11		—	—	—	—
104	75	♦Midland Marts	86xd		4.0	♦	7.1	♦
*83½	68	Mitchell Cotts	68½		t4.0	1.5	0.3	9.0

LEISURE—Continued

1985 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
283	228	First Leisure £1	279	+2	6.5	1.0	3.5	15.0
69	51	GRA Group 5p	58½		—	—	—	—
32	26	Grampian TVA 10p	26xd		t1.67	♦	9.2	♦
145	117	HTV Non Vtg.	130		h7.0	2.9	7.7	5.9
148	100	Horizon	110	-2	♦4.4	3.6	5.7	4.9
184	90	Ins-ght	156		2.5	6.5	2.3	9.7
134	102	Intasun 10p	133		t4.4	2.8	4.7	10.9
33	5	♦Intervsn Video 10p	8		—	—	—	—
232	178	Juliana's Hldgs 2p	178		2.0	1.8	1.4	29.3
268	217	LWT	252		19.4	2.3	8.2	7.6
65	55	Leisuretime Int 10p	56		2.1	3.9	5.4	6.0
162	146	Mngmt. Ag. M. 10p	162xd		♦8.75	1.3	7.7	14.5
183	155	♦Media Tech Int 20p	157		♦Q2.58	3.9	1.2	15.5

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

1985 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
310	264	Laing Properties	266	+2	6.25	2.4	3.4	14.3
£144½	£123	Do8½pcCnLn 2000-05	£123		Q8½%	6.2	17.4	—
46½	35½	Land Investors	39		1.0	1.6	3.7	23.6
311	263	Land Securities £1	266		8.15	1.4	4.4	23.0
910	315	♥Lend Lease 50c	355	-3	tQ45%	1.9	3.4	15.3
286	188	Lond & Edinburgh 10p	270		6.25	2.9	3.3	12.4
		For London & Manchester see Property Trust						
325	253	Lon. Prov. Shp 10p	305	-5	t4.6	1.2	1.2	(25.3)
*5½	3	London Securities	3½		—	—	—	—
137	120	Lon. Shop Prop	129		t4.41	1.6	4.9	18.3
£136	£122	Do. 9pc Cnv '94-99	£129		Q9%	11.7	(7.1)	—
325	297	Lynton Hdgs. 20p	300xd	+3	6.05	♦	2.9	♦
310	270	MEPC	278		9.0	1.4	4.8	19.9

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

1985 High	Low	Stock	Price	+ or -
66	59	Dualvest Inc 50p	59½	
£11½	£10	Do. Capital £1	£11½	
183	162	Dundee & London	166xd	
137½	89	Edinburgh Am. Tst.	96	
51	38	Edinburgh Fin Tst.	38	
116	103	Edinburgh Inv.	106	
54	23	Edinburgh In Wrts	25	
129	113	Electra Inv. Tst.	125½	+½
292	254	Elect. & Gen	267	
412	350	Energy Res. & Serv. 5S	375	
£30	£24	Eng & Dutch Inv (PICU)	£25	
254	228	Eng & Internat	236	-1
48	33	Do. Warrants	45	

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1985 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
48	32	♥Anglo Utd. Dev.	32	-1	—	—	—
350	130	♥Centennial Min's.	150	+8	—	—	—
120	70	♥Colby Res Corp.	85		—	—	—
550	450	Cons. Murch. 10c	475		tQ100c	1.4	8.3
40	28	♦Emex Int Ir10p	28	-1	—	—	—
215	125	Hampton Areas 10p	125		3.75	♦	4.1
260	140	♥Highwood Res.	140		—	—	—
£22½	£17¾	Homestake Mining $1	£17¾		Q20c	—	1.1
310	190	♥McFinley Red Lake	215	-10	—	—	—
300	195	♥Musto Explorations	235	-13	—	—	—
55	23	♥New Sabina Res C$1	45	-2	—	—	—
375	245	Northgate C$1	245	-10	—	—	—
685	550	RTZ	558	+8	20.0	2.7	5.3
£145½	£122	Do. 9¾pcLn '95-2000	£122	-½	Q9¾%	14.0	(7.8
£14¼	£10	♥Tara Expln $1	£10¾	-¼	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 10 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable
- ♦ Same interim, reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or -
Albany Inv 20p	100	
Craig & Rose £1	700xd	
Finlay Pkg. 5p	81	
Higsons Brew	225	-3
Holt (Jos) 25p	725	+5
IoM Stm. £1	80	
IRISH		
Fund 11¾% 1988	£99	+⅛
Nat. 9¾% 84/89	£94¼xd	+¼
Fin. 13% 97/02	£106¼	+½

Stock	Price	+ or -
Arnott	165	
CPI Hldgs	56	
Carroll Inds.	129xd	
Dublin Gas	53	
Hall (R. & H.)	55	
Heiton Hldgs.	15	
Irish Ropes	46	
Jacob (W & R.)	80	
Unidare	87	

"Recent Issues" and "Rights" Page 30

FINANCIAL TIMES
WORLD STOCK MARKETS

EUROPE

Extended trek to new peaks

INTERNATIONAL investors continued their trek to new peaks on the European bourseo yesterday as fresh summits were reached in Germany, the Netherlands, Switzerland and Italy.

The record-breaking run in **Frankfurt** was underpinned by solid foreign buying of financial and automotive stocks that took the midday calculation of the Commerzbank index up 13.6 to 1,475.0.

VW's profit performance triggered a DM 9 jump to DM 280, another high for the year, while Daimler was mauled by profit-takers to finish DM 15 down at DM 882.50, ex its DM 10.50 dividend. BMW's share price, which has underperformed the rest of the sector, jumped DM 13.50 higher to a 12-month peak of DM 458.50 on steady overseas demand.

In banks, Deutsche Bank traded a further DM 7 higher to DM 595, and Dresdner Bank extended Wednesday's high by a further DM 4.70 to DM 267.50, just off the day's high of DM 268.50. Bayernvereinsbank sparkled with its DM 37 surge to DM 436.

In utilities, Veba scored another 1985 high with a DM 2 rise to DM 228 after consideration of its sales and profits figures for the first five months of the year.

Mannesmann eased DM 1.20 to close at DM 195.50 ex its DM 4 dividend, and insurer Allianz retreated DM 3 to DM 1,512.

The chemical sector, scene of frenzied buying earlier this week, saw the bulls active again with a DM 6.50 jump for BASF to a 12-month high of DM 232.70 while Hoechst settled just below its 1985 high with a DM 5.90 rally to DM 238.70. Bayer, which led the sector in the previous session, picked up DM 3.20 to another year's high of DM 238.

The bond market saw gains of up to 30 basis points as a shortage of paper was felt. Although foreign investors remained active, local demand continued to stem from interest-rate hopes.

The Bundesbank sold a substantial DM 121.8m of paper compared with Wednesday's DM 79.8m.

Amsterdam continued to bristle with records as the ANP-CBS General index gained a further 0.9 to 219.0, its fourth consecutive peak.

Unilever extended Wednesday's high by a further 50 cents to Fl 361, and Akzo settled just below its 12-month high with a Fl 2.80 rise to Fl 117.20 after its purchase of a Warner-Lambert division. Some other internationals eased, however.

In banks NMB and ABN both scored 1985 highs with rises of Fl 2 and Fl 1 to Fl 200 and Fl 472 respectively while Amro peaked at Fl 84.60, a gain of Fl 1.

Holec continued to enthrall the market as the electrical engineer jumped Fl 9 to Fl 254, a rise of Fl 58 since Friday.

Bonds languished, and the CBS Bond index was unchanged at 108.5.

The mixed close in **Zurich** belied the record-setting session as the Swiss Bank Industrial index added a further 1.6 to an all-time high of 454.60. The lack of U.S. investors was noted, and some analysts feel that the Swiss bull run may have exhausted itself.

Profit-taking reared its head in the banking sector as Swiss Bank lost SwFr 8 to SwFr 473 and Crédit Suisse retreated SwFr 35 to SwFr 2,985. Insurer Winterthur slipped SwFr 75 from its Wednesday peak to finish at SwFr 4,575.

Alusuisse eased SwFr 5 to SwFr 760 amid plans to reorganise its UK operations while Schindler reversed the weakness of the previous session to add SwFr 5 to SwFr 915. Sandoz firmed SwFr 50 to SwFr 8,525, and Nestlé put on a further SwFr 50 to SwFr 6435.

A buoyant Milan extended trading by 90 minutes to cope with the heavy demand inspired by foreign and institutional investors. BI-Invest, particularly active, was suspended at L7,400 after wide price fluctuations. Fiat continued to benefit from rationalisation aspirations and moved L31 higher to L3,821. Retailer Standa, however, plunged L2,300 to L14,800.

Paris and **Madrid** eased while **Stockholm** turned mixed. **Brussels** continued to benefit from stronger utilities and oil issues.

U.S. markets were closed yesterday for the July 4 Independence Day holiday.

LONDON

Electronics spark recovery

A PARTIAL recovery from losses recorded during the past two weeks boosted prices of equities in London yesterday, although investor confidence remained restrained.

Electronics stocks, which have led the recent retreat, led the way forward with Thorn EMI up 15p to 344p and Plessey 6p higher at 124p.

The FT Ordinary share index firmed 9.6 to 951.9 after being slightly higher earlier in the session.

Gilts failed to respond to a further strengthening in sterling. During the afternoon quotations edged higher, but final gains were slight among both short and longer-dated stocks.

ATA Selection, a specialist employment agency, began trading in the Unlisted Securities Market and closed at 60p, compared with a 69p placing price.

Chief price changes, Page 24; Details, Page 31; Share information service, Pages 32-33

HONG KONG

LATE short-covering lifted share prices off their lows in Hong Kong after early weakness.

The Hang Seng index finished 23.79 down at 1,574.37, after being 32.38 lower at the morning close as speculation about Hongkong and Shanghai Banking triggered speculative selling.

Market talk about possible police investigation of company officials was later denied by a company spokesman. The company's shares closed 15 cents lower at HK$7.55.

Cheung Kong eased 30 cents to HK$16.40, China Light 20 cents to HK$15.70, Hongkong Land 10 cents to HK$5.65 and Jardine Matheson 30 cents to HK$11.10.

Hand Lung Development added 15 cents to HK$7.10 and New World the same amount to HK$7.20 after the announcement of plans to develop jointly properties at the Mass Railway Corporation's Island Line stations.

AUSTRALIA

A SHORTAGE of stock aided a further advance among leading industrial and mining issues in Sydney while reports of a weakening in the Federal Government's resolve to reform the tax laws also added strength.

Activity focused on retailer Myer Emporium, which traded 6.4m shares during what is understood to be a defensive move against a possible takeover move and firmed 16 cents to a record A$2.57.

Banks were firm, with Westpac adding 5 cents to A$4.20, Notional Australia 4 cents to A$4.20 and ANZ 5 cents to A$4.53.

Among leading mining stocks, Western Mining firmed 5 cents to A$3.80, Aberfoyle 20 cents to A$11.00 and Bougainville 2 cents to A$1.98.

SINGAPORE

CONTROL of the Singapore market remained firmly in the hands of sellers as prices eased across a broad front.

Sigma again topped the active list as it closed 6 cents lower at S$2.38, while UOB, which was also actively traded, held steady despite selling pressure at S$3.80.

Among leading losers, Shangri-la fell 8 cents to S$2.17, Selangor Properties 3 cents to S$1.49 and Consolidated Plantations 4 cents to S$2.59.

SOUTH AFRICA

DECLINES in key interest rates held trading firm in Johannesburg.

The market's tone was also buoyed by strength in the international bullion market. Randfontein added R5 to R195 and Kloof R1.50 to R79.

Mining financials were also stronger, while diamond stock De Beers added 10 cents to R10.50.

TOKYO

Decisive drive forward

ACTIVE trading in property, finance and transport stocks and large-capital shares dominated the Tokyo Stock Exchange yesterday, pushing the Nikkei-Dow average to another record high, *writes Shigeo Nishiwaki of Jiji Press.*

The market average gained 45.29 from the previous day to 12,969.59 on volume of 524m shares, up sharply from Wednesday's 380m. Advances outstripped declines by 414 to 403, with 127 issues unchanged.

Biotechnology issues slipped on a broad front, with Asahi Chemical falling below Y900. Blue-chip stocks also eased on a wide front.

The revival of buying interest in non-export issues can be attributed partly to the report of the Prime Minister's Advisory Council, which urged the Government to promote deregulation in areas including finance, transport and oil. Hopes of a reduction of crude oil prices by Opec at its meeting in Vienna today also contributed.

Deregulation-related property stocks rose sharply on a wide front. Mitsubishi Estate topped the active list with 21.32m shares, gaining Y49 to Y862.

Coming third on the list with 16.29m shares, Sumitomo Realty and Development jumped Y65 to Y863. Tokyo Tatemono, fourth with 13.20m shares, climbed Y103 to Y1,040. Mitsui Real Estate Development, tenth on the list with 8.05m shares, rose Y30 to Y855.

Brokerage and non-life insurance stocks also attracted buyers. Taisho Marine and Fire Insurance, was actively traded Y44 higher to Y623. Other gainers included Yasuda Fire and Marine Insurance, up Y35 to Y627, and Nomura Securities, up Y30 to Y1,320.

Deregulation hopes sent Kawasaki Kisen up Y14 to Y187 and All Nippon Airways up Y18 to Y701. Sankyu gained Y80 to Y361.

Bond prices hovered around their high levels in response to the Bank of Japan's buying of about Y40bn worth of long-term government bonds to pump money into the market.

The yield on the 7.3 per cent government bond, one of the three bonds in which the central bank conducted buying operations, slipped to 8.375 per cent.

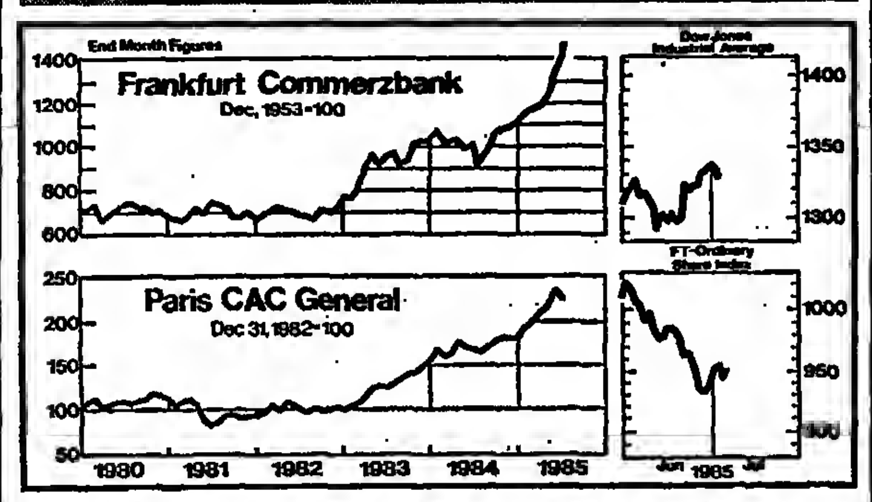
CANADA

THIN TRADING again prevailed in Toronto with business heavily influenced by the closure of Wall Street.

Bell Canada was the most active stock but traded unchanged at C$43¾ while Nova Alberta added C$⅛ to C$6½

Montreal was marginally firmer with turnover light.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 4	Previous	Year ago
NEW YORK			
DJ Industrials	closed	1,326.39	1,134.28
DJ Transport	closed	675.09	479.42
DJ Utilities	closed	165.26	124.37
S&P Composite	closed	191.45	153.70
LONDON			
FT Ord	951.9	942.3	833.5
FT-SE 100	1,249.1	1,239.3	1,065.1
FT-A All-share	602.13	598.52	497.85
FT-A 500	654.96	691.85	540.88
FT Gold mines	405.7	407.2	582.4
FT-A Long gilt	10.57	10.56	10.99
TOKYO			
Nikkei-Dow	12,969.59	12,924.3	10,375.8
Tokyo SE	1,035.5	1,029.10	789.39
AUSTRALIA			
All Ord.	874.7	869.9	663.4
Metals & Mins.	511.5	510.4	426.7
AUSTRIA			
Credit Aktien	100.80	102.96	53.96
BELGIUM			
Belgian SE	2,349.59	2,333.91	—
CANADA			
Toronto			
Metals & Minls	1,870.9*	1,874.38	1,832.0
Composite	2,718.3*	2,719.36	2,218.1
Montreal			
Portfolio	132.85*	132.86	108.11
DENMARK			
SE	200.69	200.86	181.76
FRANCE			
CAC Gen	221.5	223.5	171.4
Ind. Tendance	125.50	127.20	90.91
WEST GERMANY			
FAZ-Aktien	498.53	495.03	340.96
Commerzbank	1,475.0	1,462.4	983.0
HONG KONG			
Hang Seng	1,574.37	1,598.16	850.33
ITALY			
Banca Comm.	342.06	338.26	208.39
NETHERLANDS			
ANP-CBS Gen	219.0	218.1	158.5
ANP-CBS Ind	184.6	183.1	127.2
NORWAY			
Oslo SE	324.01	324.32	236.49
SINGAPORE			
Straits Times	764.38	765.17	901.0
SOUTH AFRICA			
JSE Golds	—	957.9	945.2
JSE Industrials	—	976.8	931.8
SPAIN			
Madrid SE	109.63	109.67	90.2
SWEDEN			
J & P	1,307.85	1,320.01	1,489.68
SWITZERLAND			
Swiss Bank Ind	454.6	453.0	362.5
WORLD	July 3	Prev	Year ago
Capital Int'l	215.8	215.5	174.0

GOLD (per ounce)

	July 4	Prev
London	$310.75	$310.50
Zürich	$310.75	$310.75
Paris (fixing)	$311.28	$310.27
Luxembourg	$310.75	$310.25
New York (Aug)	closed	$311.40

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 4	U.S. DOLLAR Previous	STERLING July 4	STERLING Previous
$	—	—	1.3175	1.312
DM	3.0315	3.034	3.99	3.9825
Yen	247.7	248.0	326.25	325.25
FFr	9.2275	9.2375	12.1475	12.11
SwFr	2.5435	2.542	3.3475	3.335
Guilder	3.4155	3.42	4.4975	4.4875
Lira	1,935.0	1,931.25	2,547.5	2,533.0
BFr	61.1	61.15	80.4	80.1
C$	1.3585	1.357	1.7895	1.78

INTEREST RATES

	July 4	Prev
Euro-currencies (3-month offered rate)		
£	12⅝	12⅝
SwFr	5¼	5⁵⁄₁₆
DM	5⅝	5½
FFr	10¹¹⁄₁₆	10¹¹⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	7⅝	7⅝
6-month U.S.$	8	8
U.S. Fed Funds	closed	9
U.S. 3-month CDs	closed	7.45
U.S. 3-month T-bills	closed	6.99

U.S. BONDS

Treasury	July 3* Price	July 3* Yield	Prev Price	Prev Yield
8½ 1987	99²³⁄₃₂	8.64	99²⁴⁄₃₂	8.64
10⅜ 1992	101¹⁵⁄₃₂	10.08	101¹⁹⁄₃₂	10.05
11¼ 1995	106⁷⁄₃₂	10.22	106¹⁷⁄₃₂	10.18
11¼ 2015	107⁹⁄₃₂	10.447	107¹⁹⁄₃₂	10.44

Corporate	July 3* Price	July 3* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	10.00	101½	10.00
3⅞ July 1990	80⅜	8.75	80⅜	8.75
8⅜ May 2000	84⅞	10.90	84⅞	10.90
Xerox				
10⅞ March 1993	100⅛	10.60	100⅛	10.60
Diamond Shamrock				
10⅝ May 1993	100	10.65	100	10.65
Federated Dept Stores				
10⅜ May 2013	94¼	11.30	94¼	11.30
Abbot Lab				
11.80 Feb 2013	103⅜	11.35	103⅜	11.35
Alcoa				
12¼ Dec 2012	102⅞	11.90	102⅞	11.90

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	77–08	77–23	77–04	77–10
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.94	93.03	92.89	92.93
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.35	92.44	92.32	92.35
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	92.06	92.08	92.04	92.12
20-year Notional Gilt £50,000 32nds of 100%				
Sept	110–14	110–16	110–11	110–12

COMMODITIES

(London)	July 4	Prev
Silver (spot fixing)	449.85p	451.00p
Copper (cash)	£1,076.75	£1,083.50
Coffee (July)	£1,815.00	£1,796.50
Oil (spot Arabian light)	$26.70	$26.65

AUSTRIA

July 4	Price Sch%	+ or —
Creditanstalt	368	−7
Goesser	010	−4
Interunfall	1,820	−80
Laenderbank	355	−7
Perlmooser	605	−20
Steyr-Daimler	178	−19
Veitscher Mag	672	−22

BELGIUM/LUXEMBOURG

July 4	Price Frs.	+ or —
B.B.L.	2,010	—
Banq. Gen Lux.	0,300	—
Banq. Int. A. Lux	0,020	—
Bekaert B	5,850	−50
Ciment CBR	2,475	−45
Cockerill	227	+7
Delhaize	6,750	−240
EBES	3,000	+15
Electrobel	8,770	+20
Fabrique Nat	1,990	—
GB Inno BM	3,700	—
GBL (Brux)	1,900	+10
Gevaert	3,860	—
Hoboken	0,010	+10
Intercom	2,890	+60
Kredietbank	8,850	+60
Pan Hldgs	10,600	—
Petrofina	5,660	+10
Royale Belge	12,100	—
Soc. Gen. Banq	6,365	+35
Soc. Gen. Belge	1,830	+0
Sofina	7,280	+80
Solvay	4,400	+60
Stanwick Intl.	1,500	—
Tractionel	3,770	+10
UCB	0,250	—
Wagon Lits	3,400	+35

DENMARK

July 4	Price Kr %	+ or —
Andelsbanken	320	−2
Baltic Skand	550	−10
CopHandelsbank	317	−5
D. Sukkerfab	485	—
Danske Bank	325	−5
De Danske Luft	1,066	−45
East Asiatic	916	+2
Forenede Brygg	915	—
Forenede Damp	149	—
GNT Hldg	388	+8
I.S.S.B.	460	+7
Jyske Bank	710	−5
Novo Ind's	1,670	—
Privatbanken	309	−4
Provinsbanken	357	−2
Smidth (F.L.) B	261	−1
Sophus Berend	2,065	+10
Superfos	446	—

FRANCE

July 3	Price Frs.	+ or —
Emprunt 4½% 1973	1,570	−0
Emprunt 7% 1973	6,119	−100
Accor	270	−7
Air Liquide	701	−9
BIC	089	−3
Bongrain	1,940	−1
Bouygues	810	−15
BSN Gervais	2,390	−49
CIT-Alcatel	1,245	−15
Carrefour	2,065	−96
Club Mediter'n	537	−3
Cie Bancaire	618	−12
Cofimeg	397.5	−1.5
Damart	1,995	+10
Darty	1,460	−40
Dumez S.A.	712	—
Eaux (Cie Gen)	672	−10
Elf-Aquitaine	201.9	−2.9
Essilor	2,390	−50
Gen. Occidentale	736	−9
Imetal	103.5	−0.5
Lafarge Coppee	606	−32
L'Oreal	2,402	−10
Legrand	2,225	−10
Maisons Phenix	330	+2
Matra S.A.	1,715	−10
Michelin B	1,205	—
Midi (Cie)	2890	−34
Moet-Hennessy	1,965	−47
Moulinex	89.5	+0.4
Nord Est	89.0	+9.5
Pernod Ricard	730	−19
Perrier	533	−7
Petroles Fra	222	−5.5
Peugeot S.A.	572.5	−15.5
Printemps Au	275	−3
Radiotech	[illegible]	[illegible]
Redoute	[illegible]	[illegible]
Roussel-Uclaf	[illegible]	[illegible]
Sefimeg	[illegible]	[illegible]
Skis Rossignol	[illegible]	[illegible]
Telemech Elect	[illegible]	[illegible]
Thomson CSF	[illegible]	[illegible]
Valeo	[illegible]	[illegible]

GERMANY

July 4	Price Dm.	+ or —
AEG-Telef	189	−0.5
Allianz Vers	1512	−6
BASF	232.7	+6.0
Bayer	238	+3.2
Bayer-Hypo	366	+16
Bayer-Verein	436	+37
BHF-Bank	355	+8
BMW	458.0	+13.5
Brown Boveri	282.5	+2
Commerzbank	223.0	+2.8
Cont'l. Gummi	164.1	+0.1
Daimler-Benz	882.5xd	−4.0
Degussa	380	+4
D'sche Babcock	180	+2.5
Deutsche Bank	595	+7
Dresdner Bank	267.5	+4.7
GHH	178	+0.2
Hochtief	560	+10
Hoechst	238.7	+0.9
Hoesch Werke	113.6	+1.6
Holzmann (P)	448	−4
Horten	190	+1
Hussel	308.0	+9.0
Karstadt	265	+12
Kaufhof	259	+0.5
KHD	287	+1
Kloeckner	59.5	
Linde	542	−2
Lufthansa	212	+7
MAN	177.5	−2
Mannesmann	195.5	−1.2
Mercedes Hld	502	+4
Metallgesell	254.5	—
Muench Rueck	1,935	+45
Nixdorf	579	−1
Porsche	1,525	+15
Preussag	290	−7
Rhein West Elect	184.5	−0.5
Rosenthal	269.5	−1.2
Schering	504	—
Siemens	550	+5.5
Thyssen	117.6	+1.5
Varta	245	+10
Veba	228	+9
V.E.W.	135.5	+0.5
Verein-West	242	+4
Volkswagen	345	+2

ITALY

July 4	Price Lira	+ or —
Banca Com'le	22,000	+1,000
Bastogi-IRBS	246	+6.3
B.I-Invest	9,200	+500
Centrale	3,600	+19
Credito Varesino	4,160	−69
Fiat	3,821	+31
Finsider	70.2	
Generali Assicur	52,480	+1,580
Italcementi	44900xr	+1,180
La Rinascente	891	−6
Montedison	1,250	+1
Olivetti	6,150	—
Pirelli Co	4,595	+239
Pirelli Spa	2,825	−3
Saipem	6,191	−199
Snia BPD	3,270	+60
Toro Assic	16,950	+50
do Pref	12,190	+90

NETHERLANDS

July 4	Price Fls	+ or —
ACF Holding	242	−5
AEGON	98.1xc	+1
Ahold	235.5	+0.5
AKZO	117.2	+2.8
ABN	472	+1
AMEV	260	+0.5
AMRO	84.6	+1
Bredero Cert	158	+0.0
Bos Kalis Westm	15.6	−0.2
Buehrmann-Tet	91.2	+1.8
Calland Hldgs	35.5	+0.2
Dordtsche Pet'm	175.5	−0.5
Elsevier NDU	180	+3
Fokker	75xc	+1.5
Gist Brocades	203.5	+1.5
Heineken	149.5	+0.4
Hoogovens	61	+0.0
Int Mueller	08.6	+9.6
KLM	59.5	−0.2
Naarden	50.5	+0.2
Nat Ned Cert	72.1	−0.2
Ned Mid Bank	200	+2
Nedlloyd	150	—
Oce Grinten	336	+6.5
Ommeren (Van)	29.5	−0.2
Pakhoed	63.5	+1.2
Philips	52.9	−0.3
Robeco	77.1	—
Rodamco	140.2	+0.1
[illegible]	[illegible]	[illegible]

NORWAY

July 4	Price Kroner	+ or —
Bergens Bank	137	+0.5
Borregaard	391	+1
Christiania Bank	137.0	+3.0
DenNorske Cred	167.0	+3
Elkem	122.5	−1.0
Kosmos	205.5	+0.0
Kvaerner	155	—
Norsk Data	344	−1
Norsk Hydro	98	−1
Storebrand	260	—

SPAIN

July 4	Price Pta %	+ or —
Bco Bilbao	655	+6
Bco Central	320	—
Bco Exterior	127	—
Bco Hispano	158	−1
Bco Popular	352	—
Bco Santander	344	+1
Bco. Vizcaya	444	+3.5
Dragados	144	−1
Hidrola	70	−2.5
Iberduero	93	−2
Petroleos	142.5	−3.2
Telefonica	120.7	—

SWEDEN

July 4	Price Kroner	+ or —
AGA	116xa	−1
Alfa-Laval B	183	—
ASEA (Free)	290	+5
Astra (Free)	397	−3
Atlas Copco	104	—
Cardo (Free)	937	+1
Cellulosa	119	—
Electrolux B	257	+1
Ericsson B	264	−22
Esselte	360	—
Mo och Domsjo	168	−1
Pharmacia	181	+7
Saab Scania Free	400	—
Sandvik	365	—
Skandia	298	+1
Skan Enskilda	49	+0.5
SKF	210	+2
St Kopparbergs	148	—
Sonesson	134	−1
Sven Handlesbn.	155	+1
Swedish Match	184	—
Volvo B (Free)	235	−1

SWITZERLAND

July 4	Price Frs.	+ or —
Adia Intl	3,150	—
Alusuisse	760	−5
Bank Leu	3,920	+20
Brown-Boveri	1,840	−10
Ciba Geigy	5,360	—
do. (Part Certs)	2,700	+45
Credit Suisse	2,985	−35
Elektrowatt	2,920	+19
Fischer (Geo.)	950	+15
Hoff-Roche PtCts	21,500	+250
Hoff-Roche 1/10	2,150	—
Jacobs Suchard	6,600	—
Jelmoli	2,350	+50
Landis & Gyr	1,850	−5
Nestle	6,435	+50
Oer-Buehrle	1,630	−10
Pirelli	342	−6
Sandoz (Br)	8,525	+50
Sandoz (PtCts)	1,450	+60
Schindler (PtCts)	915	+5
Sika	1,360	+10
Surveillance	4,895	+10
Swissair	1,372	+7
Swiss Bank	473	−8
Swiss Reinsce	12,800	—
Swiss Volksbk	1,795	−5
Union Bank	4,330	−30
Winterthur	4,575	−75
Zurich Ins	25,550	+25

AUSTRALIA

July 4	Price Aust $	+ or —
ANZ Group	4.55	+0.05
Alliance Oil Dev.	1.05	—
Ampol Pet	1.88	+0.05
Ashton	1.15	+0.01
Aust. Cons. Ind.	2.59	+0.04
Aust. Guarantee	2.38	—
Aust. Nat. Inds	2.38	+0.05
APM	2.72	−0.05
Bell Group	7.00	+0.04
Bell Res	6.8	+0.2
Bond Corp Hldgs	1.26	+0.01
Boral	3.90	+0.04
Bougainville	1.98	+0.02
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

July 4	Price Aust.$	+ or —
Gen. Prop. Trust	2.20	—
Hardie (James)	5.45	—
Hartogen Energy	2.08xc	+0.2
Herald W'y Times	4.4	+0.05
ICI Aust	1.9	+0.05
Jimberlana F.P.	0.3	—
Kia Ora Gold	0.12	−0.01
Land Lease	7	−0.1
MIM	2.52	+0.02
Mayne Nickless	3.02	—
Myer Emporium	2.57	+0.16
Nat. Aust. Bank	4.2	+0.04
News	6.7	—
Nicholas Kiwi	1.75	—
North Bkn Hill	9.26	+0.01
Oakbridge	1.02	−0.05
Pancontinental	1.72	−0.04
Pioneer Conc	1.62	+0.02
Poseidon	3.36	+0.15
Queensland Coal	1.66	+0.04
Reckitt & Colman	3.55	+0.05
Repco	1.2	+0.01
Santos	6.72	+0.10
Smith (Howard)	4.8	—
Thos. Natwide	2.06	—
Tooth	8	+0.2
Vamgas	3.20	+0.05
Western Mining	3.8	+0.05
Westpac Bank	4.2	+0.05
Woodside Petrol	1.45	−0.01
Woolworths	2.2	+0.06
Wormald Intl	3.71	—

HONG KONG

July 4	Price H.K.$	+ or —
Bank East Asia	24.1	−0.1
Cheung Kong	16.4	−0.3
China Light	15.7	−0.2
Evergo	1.00	—
Hang Seng Bank	46.70	—
Henderson Land	2.10	—
HK China Gas	19.60	—
HK Electric	8.15	−0.2
HK Kowloon Wh.	6.1	−0.15
HK Land	5.65	−0.1
HK Shanghai Bk	7.55	−0.15
HK Telephone	90	−11
Hutchison Wpa	25.5	−0.2
Intnl. City	0.86	—
Jardine Math	11.1	−0.3
New World Dev	7.2	−0.15
Orient O'seas	2.15	—
SHK Props	12.7	−0.3
Shell Elect	1.4	—
Swire Pac A	24.1	−0.4
TV—B	7.6	−0.05
World Int. Hldgs	1.92	−0.05

JAPAN

July 4	Price Yen	+ or —
Ajinomoto	1,160	—
Alps Electric	1,690	—
Amada	979	−20
Asahi Chem	899	−1
Asahi Glass	883	−2
Bridgestone	571	−8
Canon	1,160	−10
Casio Comp	1,650	−90
Chugai Pharm	1,050	+10
Citizen	444	−8
Daiei	705	−0
Dai Nippon Ptg	1,150	—
Daiwa House	670	+24
Ebara	481	−9
Eisai	1,320	−60
Fanuc	6,100	+10
Fuji Bank	1,719	+10
Fuji Film	1,990	—
Fujisawa	928	−9
Fujitsu	1,080	+10
Green Cross	2,320	−50
Hasegawa	402	—
Heiwa Real Est	690	+45
Hitachi	786	−9
Hitachi Credit	1,120	−90
Honda	1,460	−10
House Food	787	−2
Hoya	1,350	−20
Itoh (C)	447	+8
Ito Yokado	2,620	−19
Iwatsu	865	−1
JACCS	547	+1
JAL	7,400	+210
Jusco	830	—
Kajima	322	+2
Kao Soap	840	+2
Kashiyama	685	−3
Kirin	687	−4
Kokuyo	1,120	+60
Komatsu	488	+12
Konishiroku	725	−2
Kubota	355	−8
[illegible]	[illegible]	[illegible]

JAPAN (continued)

July 4	Price Yen	+ or —
MHI	397	+7
Mitsui	409	+17
Mitsui Estate	855	+30
Mitsukoshi	655	+10
NGK Insulators	795	−10
Nihon Cement	282	—
Nippon Denso	1,400	+10
Nippon Elect	1,030	−10
Nippon Express	445	+14
Nippon Gakki	1,230	−60
Nippon Kokan	141	−1
Nippon Oil	907	−4
Nippon Seiko	036	—
Nippon Shimpan	689	−4
Nippon Steel	150	+3
Nippon Suisan	574	−3
NTV	10,900	−100
Nippon Yusen	301	+0
Nissan Motor	636	−16
Nisshin Flour	513	+5
Nisshin Steel	171	+9
Nomura	1,390	+30
Olympus	1,190	+10
Orient Leasing	3,230	−20
Pioneer	1,850	−60
Renown	708	−2
Ricoh	963	−11
Sankyo	1,230	−20
Sanyo Elect	410	—
Sapporo	487	+1
Sekisui Prefab	728	+13
Seven-Eleven	8,450	—
Sharp	907	−3
Shimadzu	720	−6
Shionogi	630	−16
Shiseido	1,120	−40
Sony	4,150	+30
Stanley	815	−20
S'tomo Bank	1,940	+10
S'tomo Elect	790	−10
S'tomo Marine	763	+30
S'tomo Metal	160	—
Taihei Dengyo	520	−40
Taisei Corp.	255	+6
Taisho Pharm	1,150	−10
Takeda	845	+19
TDK	4,560	−100
Teijin	480	—
Teikoku	695	−5
Tokio Marine	960	+40
TBS	889	−2
Tokyo Elect Pwr	2,190	+70
Tokyo Gas	239	+10
Tokyo Sanyo	734	+9
Tokyo Style	922	+2
Tokyu Corp	429	+12
Toppan Print	876	−1
Toray	490	+6
Toshiba Elect	369	−5
TOTO	740	+19
Toyo Seikan	1,180	−90
Toyota Motor	1,280	−10
Victor	1,700	−50
Wacoal	718	−2
Yamaha	730	−19
Yamanouchi	2,970	−10
Yamazaki	650	+6
Yasuda Fire	627	+35
Yokogawa Bdge	580	+15

SINGAPORE

July 4	Price $	+ or —
Boustead Hldgs	1.52	−0.01
Cold Storage	2.49	—
DBS	5.7	—
Genting	6.75	—
Haw Par. Bros	2.1	−0.04
Hong Leong Fin	2.84	—
Inchcape Bhd	2.52	−0.01
Keppel Shipyard	1.45	−0.02
Malay Banking	6.55	−0.05
Malay Utd. Ind	2.15	−0.05
Multi Purpose	0.9	−0.01
OCBC	8.85	—
OUB	9.89	—
Public Bank	1.37	—
Sime Darby	1.94	−0.02
Singapore Press	6.95	+0.05
Straits Trdg	3.36xc	−0.02
Tat Lee Bk	2.62	+0.01
UOB	3.8	—

SOUTH AFRICA

July 4	Price Rand	+ or —
Abercom	1.9	—
AE&CI	8.2	+0.2
Allied Tech	01	—
Anglo Am Coal	54.75	—
Anglo Am Corp	28.8	−0.4
Anglo Am Gold	156.75	—
Barclays Bank	19.75	−0.25
Barlow Rand	11.2	+0.1
Buffels	70.0	+9.25
CNA Gallo	2.95	+0.1
Currie Finance	4.1	—
De Beers	10.5	+0.1
Driefontein	46.75	—
[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm July 4

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL
Closing prices July 3

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total sales 2,362,241 shares

SECTION III

FINANCIAL TIMES SURVEY

A new government has brought a better investment climate to Canada, especially for foreigners. But a heavy budget has proved intractable. Quebec separatism has simmered down.

CANADA

Measurements of change

By W. L. Luetkens

CANADIANS elected a Government nine months ago which promised them change after the sharpest post-war recession, and freedom from endless bickering between central and provincial governments and between government and business.

How much of that change has been accomplished by the *new*, Progressive Conservative government of Mr Brian Mulroney, and how much is on the way?

A separatist challenge from Quebec has simmered down; a nationalist and discriminatory energy policy has been replaced by deregulation, and a restrictive policy towards foreign investment has been modified. A start—but no more—has been made with reducing unsustainable budget deficits.

Atmosphere

Above all, there has been a change in personalities, in style and atmosphere, greatly supported by the world economic revival begun before the change of government in Ottawa last September.

Mr Pierre Trudeau, who had become almost a fixture as Prime Minister, has returned to Montreal and a law practice. His great opponent, Mr Rene Levesque, Premier of French-speaking Quebec, now a tired man, is relinquishing office and leadership of the separatist party. In Ontario, the other manufacturing province, a Conservative regime was ousted after 42 years in power.

Mr Trudeau's place in history is secure. He wrestled down a separatist challenge from Quebec, though that does not mean that Quebec nationalism is dead. But on the way, Mr Trudeau aroused enmities not only in Quebec but also in the Canadian West which felt neglected by all the attention given to the *quebecois*.

The change from Mr Trudean to Mr Mulroney could hardly be more pronounced, except on a key point. Both are bilingual in English and French, and both make it an issue of principle that the French-speaking minority in Canada and the English-speaking Quebec must have their minority rights protected.

But Mr Mulroney has shown himself to be essentially a man of compromise. When Mr Levesque realised that support for Quebec independence was crumbling and made conciliatory gestures towards Ottawa, Mr Mulroney did not reject them with the frosty aloofness of a Trudeau. The door is open for a deal which will allow Quebec to subscribe to the Canadian constitution Mr Trudeau engineered.

But Mr Mulroney is not in a hurry. He has no reason to plunge into negotiations with an enfeebled Quebec provincial Government which faces the prospect of defeat in elections within months.

On the world stage, the Mulroney Government will also play a role different from that of its predecessor. It takes a more positive attitude to Nato, of which Canada is a founder member, and has decided to increase the Canadian force in Germany.

Ottawa is also trying to achieve more cordial relations with the U.S. than the prickly Mr Trudeau entertained. But the limits have already become visible. The invitation to join in Washington's Star Wars, the Strategic Defence Initiative to create a defence against intercontinental missiles, has not yet been answered but was received with some misgivings. When the U.S. declared a trade embargo on Nicaragua, Canada refused to join it.

Independence

As s man given to compromise, Mr Mulroney cannot ignore the parameters within which Canada, historically, has conducted its policy. Good relations with the U.S. are essential — but Canadian independence requires that they should not become too close.

Ever since the war, Canada has played a role of some significance in the world as a medium power with a measure of independence from the big blocks. Mr Lester Pearson, Prime Minister in the 1960s, turned Canada into the "helpful fixer" available to help settle the quarrels of others. Mr Trudeau sought to build bridges between East and West and between North and South.

Mr Mulroney sees Canada's role in the world as one of support for the country's allies, but adds that Canada has a special role in its traditional area of peacekeeping in the UN framework. That may not sound especially thrilling, but it does demonstrate that Canada did not change fundamentally overnight when the Liberals were turned out last year.

A similar pattern has emerged in economic policy. Many Conservatives wanted the Government to prune the welfare system drastically to rednce budget deficits. The Prime Minister would not go along with that.

Eventually some cuts were made in the bndget tabled on May 23. But when there was an outcry against the proposal to shave old age pensions.

That episode apart, the bndget proved to be less draconian than the advance publicity, though it did make a start with reducing the deficit and with measures intended to transfer resources from consumption to investment. Doing so was part of a triple strategy consisting of spending cuts, of the deregulation of oil and gas prices, and the relaxation of controls on foreign investment.

An agreement with the oil-producing province of Alberta to move the Canadian oil price to world level and to reduce the tax burden on oil companies has already shown results. Exploration activity is increasing. Eventually that should benefit manufacturing and the national economy at large.

CONTINUED ON PAGE 2

Roger Taylor

Brian Mulroney: issues on which to stand

Contents

PROFILE: BRIAN MULRONEY

Personal style under attack

MR BRIAN MULRONEY has unmistakably put his own stamp on the conservative administration in Ottawa. The Prime Minister's office has been enlarged since the Tories came to office, and Mr Mulroney and his staff have taken a close interest in the affairs of his Ministers.

The Prime Minister has not baulked at *publicly* contradicting some of the most senior among them. As a result public criticism of the new Government for lack of decisiveness has tended to revolve around the personal style of the Prime Minister—his fascination with public opinion polls and his own media image, and his apparent determination to steer clear of confrontation.

Mr Mulroney strongly defends his style of government: "I think there's a certain macho style that has invaded politics where strength and leadership are in some way equated with knocking down straw men. I don't go in for that."

On the other hand, Mr Mulroney says, there are some issues "where you stand or fall." One—not surprising for an Anglo-Canadian born and raised in Quebec—is the question of minority rights. Mr Mulroney has offended the Conservative Party in Manitoba (though he won wide support elsewhere in the country) by rejecting its opposition to extending French language rights in the prairie province.

"That to me is the kind of issue on which there is no compromise," he insists.

Mr Mulroney, 46, won a reputation as a conciliator before entering politics. Trained as a lawyer, he participated in a commission charged with investigating corrupt labour practices in the Quebec construction industry. Labour issues occupied much of his time as president of a U.S.-owned iron ore producer.

Mr Mulroney stresses his achievements in mending fences between Ottawa and western Canada. The West had been Mr Pierre Trudean's pre-occupation with Quebec, and by his interventionist energy policy. Last March's Western Energy Accord, giving generous tax concessions to oil and gas producers, has helped to restore western goodwill. Westerners make up half the federal cabinet. Near the end, Mr Trudean was hard put to find any westerners to serve.

Mr Mulroney clearly expects the west to support him on matters such as constitutional talks with Quebec. If (western Canada) is back in the family, he says, Quebec is out. "I can only get them back with (the West's) help.

Mr Mulroney's views on other issues:

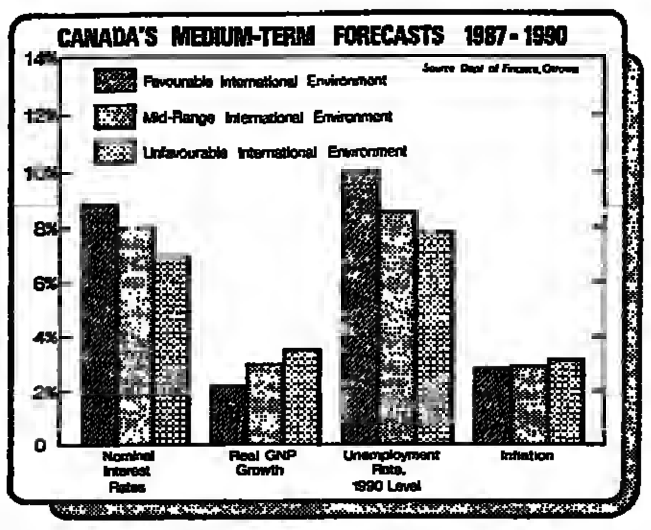
- Critical reaction by business to the budget: "It's difficult when you're trying to run a government to be told one day that costs must be contained, waste must be eliminated and cuts made, particularly on the social side, and then when it's done to be told: "Well, you've gone too far."
- Canada's role in international politics: "I see it as one of substance, but I view it also with a sense of realism and a sense of modesty. I have no illusions about the kind of world we live in, dominated by superpower politics, but I think we can be extremely helpful in the process."

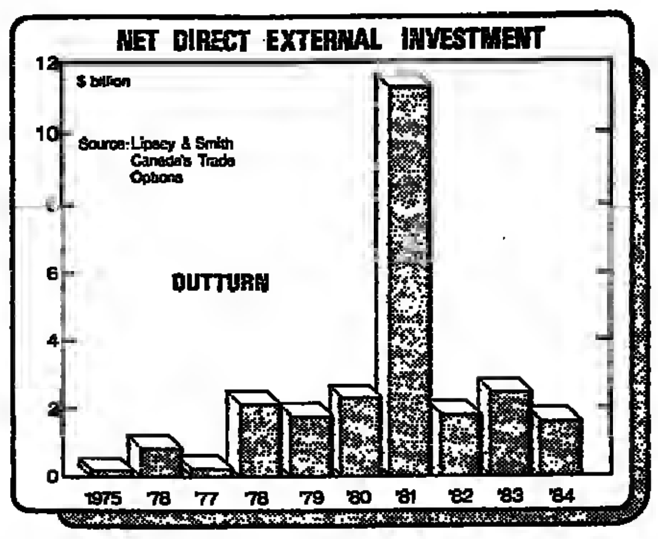
Mr Mulroney says he is conducting an "ongoing correspondence" with Mr Mikhail Gorbachev, the Soviet leader, who visited Canada three years ago.

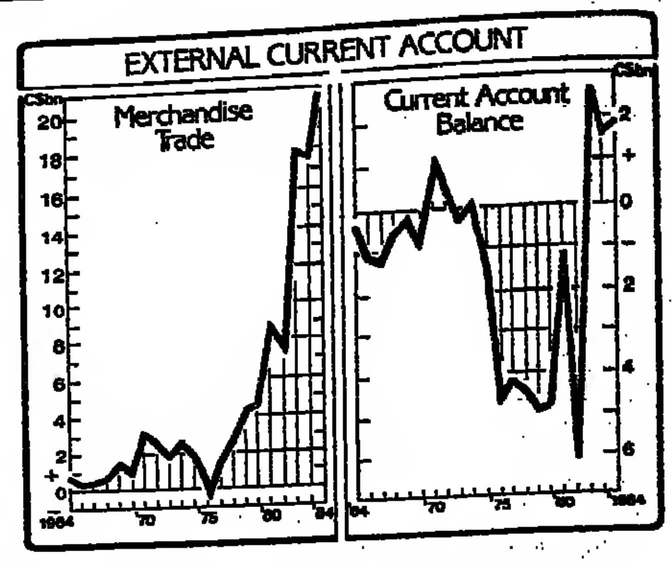
- Moves towards freer trade with the U.S.: "It's the priority of the Government over the summer months. We know we must secure an enhanced share of the American market." Canada needed to protect itself against the protectionist instincts of the American Congress.

BERNARD SIMON

Strong bid by Ottawa to restore growth







Economy

W. L. LUETKENS

THE NEW Canadian Government has launched its bid to restore growth to an economy which auffered more than most during the recession of the early 1980s.

A list of spending cuts and a budget intended to transfer resources from the public to the private sector bave been put forward. They coincided with a cyclical rebound caused largely by strong export demand from the U.S., Canade's most important foreign customer by far.

When he introduced his first budget on May 23, Mr Michael Wilson, the Progressive Conservative Minister of Finance, crisply defined the underlying difference of pbilosophy between his party and its Liberal predecessors in power at Ottawa. "This Government," he said, "wants individual Canadians to pick the winners within a tax framework that rewards success."

So, among other things, be cut into the system of industrial subsidies. Thia year, federal expenditure to that end will he reduced hy C$100m (about £58m): in the financial year beginning next April the amount will rise to C$150m. The key measure intended to encourage entrepreneurship and risk-taking is the phasing in over several years of e lifetime exemption from capital gains tax for individnal Canadians amounting to C$500,000.

Mr Wilson calculated that taken overall his measures would reduce a budget deficit that would have amounted to C$38hn in 1985-86 to C$33.8bn. At either level, the deficit is among the highest in the industrialised world on e per capito rate. On the strength of Mr Wilson's figures it will be cut by 11 per cent in 1985-86. That would be nothing short of draconian.

The extent of the reduction is diminisbed to 5 per cent if Mr Wilson's figure for 1985-86 if compared with the actual deficit in the previous year. Moreover, of the 5 per cent, one point is ettributable to planned privatisation measures. The residual cut of 4 per cent looks a good deal less draconian, but is probably as deep as was feasible politically.

With three to four years to go before they need to face an election, Mr Wilson and the Tories are in a good political position to follow up the beginning they have made.

Economically the story might ba somewbet different. If, as many though not all forecasters believe, the U.S. economy slows down in 1986, the Canadian economy might also run out of steam. In that case pressures would huild up on Ottawa not to continue the deficit cutting exercise.

Possible economic reasons for going easy apart, Mr Brian Mulroney's Government has proved very sensitive to public criticism. When Mr Wilson's budget propoaal to save money by a partial de-indexation of old age pensions caused e public outcry, the Prime Minister was quick to hint that the idea might be dropped.

The dilemma caused by a possible economic slowdown late this year and in 1986 could be aggravated if President Reagan's proposed measures of tax reform in the U.S. go ahead.

By comparison with the U.S. Canada is e high-tax country. If the disparity were to increase, distortions would inevitably be caused, given the intimate economic links between the two countries. In an interview with the Financial Times Mr Mulroney said that this problem would bave to be eddressed in the long run.

On balance, the Canadian business community appears to bave approved Mr Wilson's fiscal proposals though the pleasure was not nnalloyed. A temporary surcharge on corporate and high-rate individual income taxes caused aurprisingly few complaints. The partial deiodexing of old ege pensions and family allowances was seen widely as a politically unwise and financially inadequate substitute for a more fundamental attack upon social welfare.

But this is an area where Mr Mulrooey's hands are tied: during the election campaign of 1984 be declared the "universality" of social benefits, meaning that there sbould be no means testing to ensure that they are reserved for those in genuine need, to be a "sacred trust." The clear implication for the future is that Mr Mulroney is averse to measures of radicalism.

Mr Wilson's budget must be seen in context with two other important measures introduced by the Tories (both of wbicb are dealt with elsewhera in this survey). The deregulation of oil prices and the impending dereguletion of natural gaa will, it is hoped, greatly encourage energy development with a consequent spillover into demand for capital goods.

Investment is also intended to benefit greatly from a liberalisation of legislation for the screening of foreign investment in Cenada. By and large foreign investment in oew ventures (as opposed to takeovers) is to be exempted from screening.

The impact of the budget as introduced upoo the exchange rate of the Canedian dollar is likely to be neutral. The currency has not performed well in spite of an unusually stroog Canadian external current account. The Canadian dollar bas slid to a range about 73 U.S. cents from 80 U.S. cents et the outset of 1984. Canada does almost three-quarters of its foreign trade with the U.S., so that is the rate that matters.

Occasiooally a case is made for e further depreciation ot the Canadian dollar to stoke up export demand end to permit Canada to let its interest rates drop below those obtaining in the U.S. The inevitabla consequence would be higher prices, but — so the argumant runs — the impact npon industry's costs would be cushioned because continuing high unemployment has weakened the bargaining power of tbe unions.

This is not e view shared in the Bank of Cenada, which bas attempted to spread the impact of high U.S. interest rates between the exchange rate and Canadian domestic interest rates Mr Gerald Bouey, Governor of the bank, stated plainly in a speech on Jime 1 that "exchange rate depreciation that risks a loss of confidence in the Canadian dollar is . . . likely to bring about higher, rather than lower, interest rates in Canada."

From the point of view of the domestic economy, the key question is wbether the cyclical position combined with the budget atrategy will suffice to encourage business to invest in plant and equipment.

Profits are strong thia year, and surveys of investment intentions look encouraging, thougb they start from a low base. During the first quarter, wage settlements were averaging out at rises of only 3.2 per cent.

Besides, the return to power in Ottawa of the Conservatives bas improved morale in tha business world. So some of the main pre-conditions for a revival of capltal spending and, hence, a better balance between export and bome demand, do exist.

At the time of his budget Mr Wilson forecast that non-residential business investment would increase by 4.6 per cent this year and another 6.4 per cent next. If so, he will be able to claim an important success for his budgetary strategy.

Canada's trade with the U.S.

	Exports C$bn	Exports % of Total	Imports C$bn	Imports % of Total	Balance C$bn
1980	48.2	63.3	48.6	70.2	− 0.4
1981	55.5	66.2	54.5	68.6	+ 1.0
1982	57.7	68.2	47.9	70.5	+ 9.8
1983	66.3	72.9	54.1	71.6	+12.2
1984	82.8	75.6	68.5	71.5	+14.3

Source: Statistics Canada

Balance of International debt

(to end 1983, C$bn)

	Liabilities	Assets
Direct investment	72.5	39.3
Portfolio investment	107.4	24.2
Other liabilities	64.3	—
Gov. loans, advances and subscriptions to international invest. agencies	—	7.0
Gov. holdings of gold, foreign exchange and net IMF position	—	5.2
Other assets	—	68.4
Gross	244.2	144.1
Net intnl. debt	99.6	

Source: Bank of Canada Review.

Short-lived honeymoon for Mulroney

Politics

BERNARD SIMON

THE Progressive Conservative Party's sweeping victory in last September's Canadian federal election, giving it control of three-qnarters of the seats in the Housa of Commons, appeared to set the stage for a loog honaymoon with the public.

Historians may record, however, that the Mulroney government's boneymoon lasted only a little longer than that of most newly-married couples. The first nine months of the Tory administration in Ottawa hava been marked, not by a heady ride on last September's wave of popularity but by a series of controversies in which the Government has often been forced on the defensiva.

Some—like the resignation of the defence minister after a visit to a West German nightclub—have alreedy been forgotten. Others may haunt the Prime Minister, Mr Brian Mulrooey, and bis colleagues for some time.

Strangely, the most damaging episodes have not stemmed from decisiva initiatives to carry out bold reforms. In both cases where the Tories have pushed through major new programmes—namely, the relaxation of rules on foreign investors and generous concessions to tha oil and gas industry—political damage bas been easily contained.

The main cause of the Government's problems has been an appearance of indecisiveness on a number of key issues.

The Tories came into offica determined to avoid a repetition of the gaffes which led to the defeat of the short-lived Government of Mr Joe Clark in 1980. Mr Clark'a eight-month term was dogged by hasty positions taken on such diversa issues as moving the Canadian Embassy in Israel to Jerusalem, privatisation of the national energy company Petro-Canada and, finally, a budget proposal to raise fuel taxes.

Mr Mulroney, a conciliator by nature and background, tried in the months after the election to build a consensus on some of the tough issues fecing tha new Government. A "summit" of business, labour, consumer and academic leaders was called to advise the Government on its economic strategy. Studies have heed commissioned on foreign policy, trade with the U.S. and parliamentary reform.

Not surprisingly, the economic "summit" failed to reach any agreement. A Green Paper on foreign policy publisbed recently was immediately nicknamed a Grey Paper, reflecting the colour of the publication's cover and the wishy-wasby nature of its contents. Consultetions on U.S.-Canadiao trade are continuing but given the disparity of views between west and east, between business and labour, tha chances of formulating a position favoured by all interests are minimal.

Despite the difficulty of finding common ground, forces for compromise are atill at work. Tha swolleo Tory caucus includes a number of diverse interests, ranging from small business from Ontario to "Red Tories" with their roots in the prairies and — the newest arrivals—more than 50 francophone MPs from Quebec. The party's strong attachment to public opinion polls also lessens the chances of radical policies finding favour in the government.

These cross-currents were apparent sbortly after the Tories took office in the government's ettitude towards universal not means tested social programmes, up to now a cornerstone of Canada'a generous welfare system.

Mr Michael Wilson, the Finance Minister and a former member of the Toronto investment community, has taken on the herculean task of reducing a budget deficit that had become unmanageable. His first budget, tabled last May, was well received, but it contained a proposal to trim old age pensions which was subsequently overturned by Mr Mulroney.

Mr Mulroney won wide support from the business community by pointedly asking whether a bank president earning C$500,000 a year should receive the cash "baby bonus" paid to all Canadian parents. Hopes thet the government was about to square up to the universality issue as a rich source of budget savings were soon dasbed, bowever. Mr Mulroney bscktracked to an earlier positioo that universality is a "sacred trust."

His about-turn on this issue was the first of several by which the government has dismayed its supporters, giveo the appearance of weakness to its opponents and created frictions within its own ranks.

More recently, it has fonnd itself at the centre of a storm over old-age pensions. Mr Michael Wilson, Finance Minister, proposed in his May budget that pensions (and other social security payments) should be partly de-indexed, with annual increase linked only to the amount by which the inflation rate exceeds 3 per cent. The proposal was expected to save the government about C$2bn a year by the end of the decade.

Within a week or two, opposition to the budget had coalesced around the pensions issue. Even business groups, supposedly in the vanguard of support for budget cuts, criticised the government for victimising the elderly.

The corner into which the government had painted itself was eptly summed up by the *Toronto Globe and Mail*: "Had the Prime Minister not suspended his critical faculties on universality, Michael Wilson could have reformed old age income programmes to save Ottawa money while adding to the income of the poor."

Mr Wilson, wbose first nine months as Finance Minister have left a clond over his political future, made matters worse by insisting that many pensioners favoured his proposals. He was not able to produce any.

As the protests mounted (and the results of opinion polls flowed in), the government once again began to retreat. By mid-June, Cabinet ministers were insisting that pension de-indexing was only a "proposal" and that economic trends would be monitored before its implementation. Then, finally the proposal was abandoned, raising doubts on how serious the government is ebout its commitment to cut the yawning federal deficit.

Recent newspaper polls point to a significant decline in the Tories' popularity sinca the election, altbough they remain far ahead of the two opposition parties. The low ideological content of Canadian politics makes voters a fickle lot, so the Tories' fortunes over the next few yeara will be closely tied to their ebility to come to grips with the problems facing the country, especially economic ones.

They were in the fortunate position last September of having conservative allies in control of the government of all but two (Manitoba and Quebec) of Canada's 10 provinces. Seldom in Canadian bistory bas a federal government enjoyed support from provincial authoritiea in the west, east and centre of the country simultaneously.

In a netion where rivalries between federal and provincial governments are strong and the provinces bave significant powers in fields such as energy, education and international trade, provincial premiers can make or break federal government programmes.

The federal Conservatives' room for manoeuvre may thus be limited by the recent change of government in Ontario (where a loose *Liberal/New* Democrat alliance has ousted the 42-year Tory dynasty) and by forthcoming elections in Quebec where—barring a dramatic turnround—the Parti Quebecois will lose power to the Liberals. Right-wing edministretions in British Columbia and New Brunswick may also not survive the next elections in those provinces.

Ontario and Quebec between them are home to more than half of Canada's total population and their views cannot be disregarded on some of the key issues wbicb are likely to confront the Mulroney government in the years ahead, including free trade with the U.S. energy prices and industrial development strategy. Ontario's support will be crucial to any constitutional agreement hammered out between Ottawa and Quebec. Constitutional ameodments requira the backing of at least seven provinces with 50 per cent of the Canadian population.

The next federal election need not be beld until 1989. There is thus plenty of time for the Conservative government to regain its stride. Tha major reforms alreedy initieted in the fields of energy and foreign investment mey prove to be more lastiog than the government's difficulties in its first nine months in office.

Measuring change

CONTINUED FROM PAGE ONE

No less important, the agreement sbould remove the traditional sense in the Western provinces that they are Ottawe's stepchildren. Though they did profit from the resources boom of the 1970s, they did not reap the full benefit because Ottawa kept down the price of crude oil.

The intention to proceed softly is well illustrated by the measures taken to liberalise inward foreign investment. Except in the field of activities impinging upon Canade's cultural identity, new investment will be permitted without screening. But takeovers will remain subject to a somewbet liberalised screening procedure.

It is a compromise between Canada's traditiooal need for capital and nationalist objectioos to extending American dominetion of much of Canadian induatry.

So far, the triple approach to encouregiog iovestmeot and the cbange of atmospbere consequent upon the electioo have produced only a limited increase in business spending. Investment is running well balow the peak levels reached before the recession, even though the economic cycle has been favourable. Tha economy is growing at an annual rate of 3-4 per cent and profits have been rising.

That leaves export demand from the U.S. as the main sources of streogth in Canada. The danger is that the U.S. will alow down. In thar case the Mulrooey Government may face a longer baul than expected. It might also find it difficult further to tighten budget policy. Tha need for compromises could grow.

It would be consistent with Canadian traditions. Caoadians often repeat that compromise rather than confrontation is their way. How else are you going to hold together a country of English and French speakers and of some reglons dependent entirely upon resources and others deep into manufacturing: a country that is as wide from east to west as the Atlantic?

No better example of this civilised way of doing things can be imagioed than the recent history of Quebec. Many hard worda were said but no heads were broken in a clasb of deep-running passions.

Public sector enterprises being sold off

THE Progressive Conservative government has pleased business interests hy moving quickly to scale down the public sector's extensive commercial and industrial activities.

Within two months of taking office last September, Mr Sinclair Stevens, the Industry Minister, dismissed the chief executive and several members of the board of the state-owned holding company, Canada Development Investment Corp (CDIC).

A Calgary oil company executive, Mr Paul Marshall, has been given the job of selling off CDIC's prime assets, including its wholly-owned aircraft manufacturing subsidiaries, de Havilland and Canadair, Canada's international tele-communications company Teleglohe Canada, and the uranium producer Eldorado Nuclear.

The government has also given notice that it plans to privatise Canadian Arsenals, an armaments manufacturer, and announced in May that it will soon sell the bulk of its 47 per cent voting interest in Canada Development Corp. the sprawling holding company with interests in energy, mining, petrochemicals office equipment and bio-technology.

Finance Minister, Mr Michael Wilson, said in his May budget that the government's privatisation policy will be based "on the premise that a Crown corporation or other equity investment should be sold unless it is fulfilling a public policy purpose." A ministerial task group headed by Treasury Board president Robert de Cotret has been set up to map out a plan to sell or streamlina Ottawa's business interests.

Industrial policy

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The group has a wide field to cover. The federal government alone controls about 300 business enterprises, ranging from the national airline Air Canada and the energy company Petro-Canada to relatively obscure companies developing the Montreal and Vancouver waterfronts and providing a ranga of sevices to remote Arctic communities.

Provincial governments, too, are heavily involved in commercial activities. They control liquor distribution (Quebec is about to turn over its liquor stores to private investors), have interests in oil and other natural resource producers, and own shares in a number of airlines and railway companies. The Ontario government owns the Urban Transportation Development Corp, a large manufacturer of commuter rail equipment.

Besides sensing that Canadians generally support a reversal of the public sector's business activities, the government recognises the contribution that privatisation may make to trimming its yawning budget deficit.

The sale of Canadian Arsenals, CDC, Teleglobe Canada and a northern transport company is expected to reduce the government's cash needs by C$675m and the deficit by C$350m in the current fiscal year. The book value of Ottawa's investments in de Havilland, Canadair, Eldorado Nuclear and 5m Massey-Ferguson preferred shares totals another C$606m.

Ottawa expects to begin a public offering of 23.8m CDC common shares later this summer, through a group of Canadian securities dealers, headed by Burns Fry of Toronto. Canadian Pacific and Canadian National, tha two transport companies which also have telecommunications interests, have made a pitch for Teleglobe Canada.

But finding buyers for the other assets on the block appears to be taking longer than the government initially expected. About 20 potential investors have shown some interest in de Havilland, and a dozen in Canadair and Eldorado. Among the foreign companies eyeing the two aircraft manufacturers are Messerschmitt-Boelkow-Blohm of West Germany and Boeing.

Mr Marshall cautionad at the end of May, bowever, that the expressions of interest had not yet matured into firm negotiations. "Wa're not at what I would call negotiating stage with anyone," be said. "We're not talking terms and conditions, or dollars and cents."

One problem is that some of the companies bave experienced substantial marketing and financial difficulties. De Havilland has suffered losses totalling C$277m in the past two years, while Canadair has found few customers lately for the Challenger executive jet, which contributes about two-thirds of its revenues.

The two companies have been rescued several times in the past three years by financial support from the federal government. In an effort to improve Canadair's attractiveness to potential buyers, Ottawa has agreed to purchase its unsold stock of early model Challeoger aircraft.

Despite its professed commitment to a market-oriented economy, the Tory government bas found itself under pressure to prop up several other troubled companies, especially in the bard-pressed eastern Canadian petrochemical industry. It is expected to seek assurances from prospective investors in De Havilland and Canadair that the companies will not be summarily closed or large numbers of workers laid off when they are returned to private ownership.

Not all Canadian Tories are devotees of the market and the idea has even been floated off in Ottawa that domestic producers who are in trouble, such as makers of footwear and clothing, might be guaranteed some portion of the domestic market. That issue remains to be fought out in Cabinet.

Governments at both federal and provincial levels continue to play a crucial role in industrial development through their generous (and, in the case of tha provinces, often highly-competitive) network of grants and other financial suport to private investors.

The main conduit for federal assistance, the Industrial and Regional Development Programme (IRDP), provided grants worth C$235m for 974 projects in the year to March 1985. The biggest bandout was a C$68.5m contribution towards construction of an American Motor' assembly line in Brampton, near Toronto.

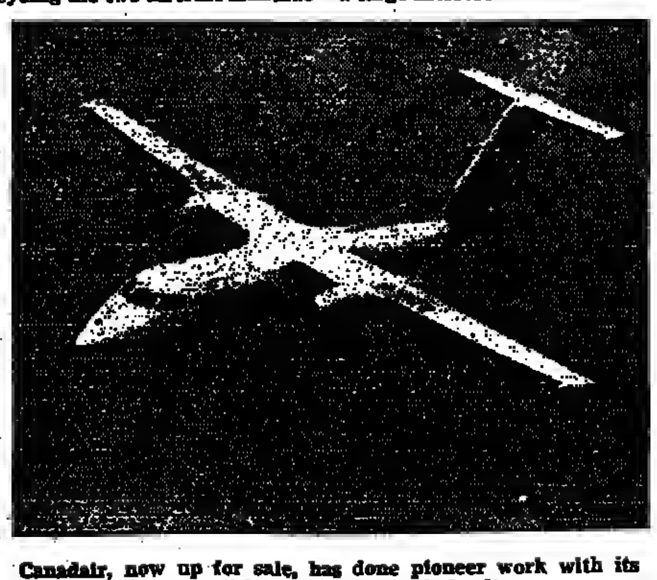
Official financial support has been a key element in efforts to attract foreign investment to Canada and stimulate regional development. Benefits are graduated according to the part of the country in which a project is located, and are especially generous for ventures to develop new prodncts and processes.

In this area too, the government is gingerly trying to reduce its commitments. The IRDP budget was dua to rise to C$344m this year, with the industry department's total allocation for grants and "contributions" running at close to C$1bn.

The May budget has proposed a cot of C$100m this year and C$150m in 1986-87, centred on the IRDP and a programme for defence contractors.

Although tha cutback appears substantial, a senior industry department official says that no "major" curtailment of programmes is anticipated. "When funds are tighter, you priorities a little more rigorously," he observes.

The full impact of the cuts will uot he felt immediately because of tha practiee of paying recipients only when a project enters commercial production. In any case, Ottawa has recently shown that there is more than oue way of handing out favours. The industry department earlier this year refused a C$100m grant to the Quebec forest products company Domtar to modernise one of its plants. But in the face of strong political pressure, the government did agree to provide a large interest-free loan.



Canadair, now up for sale, has done pioneer work with its Dash-8 aircraft on short take-off and landing passenger services. The aircraft flies a STOL service between Toronto and Ottawa, shortly to be extended to Montreal.

Bob White: convinced that the decision to split from Detroit was the right one.

Hero with the grassroots touch

PROFILE: BOB WHITE—DIRECTOR, AUW

Mr Boh White, Canadian director of the United Anto Workers trade union, has become something of a national hero in Canada.

He won wide respect — even from some business leading a hreakaway of his union's 120,000 members from the Detroit-based AUW, paving the way for an aatonomuos Canadian motor industry nnion. In a country whera U.S. infinenees pervade (and often dominate) many walks of life, anyone cocking a snook at a powerful institution sonth of the border and getting away with it is assured of celebrity status.

Mr White insist that "it's not comfortable doing what I'm doing." He points out that he no longer has the "luxury" of being able to refer tough decisions to Detroit. On the other hand, theer is clearly un doubt at all in his mind that the decisiou to split from the UAW, takiog abont 10 per cent of the U.S. union's membership with him, was the right one.

"At the grassroots of all unions (in Canada), I think there's been a sense of excitement," Mr White says, adding that "organising has picked np dramatically. A lot of people have said: "We'd like to join Boh White's union."

Although Canadian workers had to accept some pay cuts and widespread layoffs during the recession, the country's trade unions have not been weakened as mneh as those in the U.S. Canadian unioo membership has risen from 3.4m to 3.7m in the past five years, and union members accounted for 39.6 per cent of non-farm workers last year, compared to 37.6 per cent in 1980.

According to Mr White, U.S. unions are on the defensive "because they didn't draw the line soon enongh." He *argues* that *Canadian unions* have shown more spunk. In 1981, Mr White—then still a member of the UAW's international executive board — cast the only vote ogainst concessions to Ford and General Motors. He views the cruciot milestone in the divergence between U.S. and Canadian negotiators as the Canadian union's refusal to accent concesions offered hy U.S. car workers to Chrysler in 1982, a stand that culminated in a five-week strike.

The final split with Detroit came after a similar disagreement in talks with GM last October. Canadian workers rejected innovative job-security and profit-sharing elements of GM's U.S. settlement, preferring a mere traditional combination of guaranteed wage increases and cost-of-living allowances. Friction between Mr White and the UAW leadership grew when Canodian GM workers staged a 12-day strike, crippling the company's assembly lines throughout North America.

Despite the integration of carmokers' North American production facilities in the past 20 years, substantial differences have emerged on lobour issues between the U.S. and Canada. The decline of the Canadian dollar and state-subsidised health care in Canada were major planks in Mr White's argument that GM's labour costs were lower in Canada. Job security has been a less sensitive issue among Canadian motor workers, who were virtually unaffected by layoffs during the last recession. Wage settlements in commerce and industry corrently average a modest 3.2 per cent a year.

The first test of UAW Canada's negotiating skills as an autonomous unit will come next month when talks start on a new labour contract with Chrysler. The present agreement expires in mid-October.

Mr White's ambitions stretch beyond the creation of an indigenous motor industry *union. Two years ago,* he proposed forming a federation of metalworking unions, incinding the local Canadian branches of half n dozen other U.S.-hased groups. (Abont 40 per cent of Canadian trade unionists belong to sueb "international" nnions, inclnding workers in the steel, rubber and forest prodnets industries.)

The proposal has so far not borne fruit and Mr White concedes that the UAW split msy make many Canadian members of other "international" nnions nervous abont co-operating with him for fear of offending their U.S. brethren. Mr White predicts, bowever, that "other international unions witt bave to rethink what they're going to do."

Mr White is a vice-president of the mildly socialist New Democratic Party, the smallest of Canada's three main political groups.

He is currently trying to mobilise opinion against the Mulronay government's policy of seeking free trode between Canoda and the U.S. "I'm pushing the labour movement to articulate why we're opposed to free trade with the U.S.," Mr White says.

He argues that Canadian exporters already have all the access they need to the U.S. market when demand is strong, and that a free trade agreement would crumble under U.S. protectionist pressures at times when America has exeess prodnetion capacity.

Bernard Simon

Optimistic forecasts come unstuck

Terry Kirk

The Royal Bank in Toronto. Canada's banks had more bad news when the federal government published its proposals for sharpening competition among the institutions

CANADA'S financial institutions are passing through an unsettling period marked by uncertain business prospects and a lack of clarity about the future shape of the country's financial system.

Forecasts that 1985 would be e quiet year of gradually improving earnings hegan to come unstuck in March when the federal government and the country's six largest banks hastily put together e C$255m peckage to heve the small Canadian Commercial Bank, of Edmonton, from collapse.

CCB's troubles have been a sharp reminder that the legscy of the prolonged energy and real eatate alump in western Canada is by no means past. Royal Bank, whose net income slipped by 10 per cent in the three months to April 30 compared to the same quarter in 1984, pinpointed the financial difficulties of borrowers in these two sectors as a key reason for the decline. Its non-productive loans heve risen by C$200m in the past year to C$2.8bn.

In addition, several trust companies in the western provinces have closed their doors in recent months and the Alberta government has stepped in to prop np e number of credit unions (co-operative savings and loan institutions).

The authoritiea have taken a number of steps to prevent these tremors rippling through the rest of Canada's financial system. The country's last bank failure took place more than 50 years ago, but regulators are clearly concerned that current prohlems in the West and the mncb-pnblicised difficulties of U.S. institutions could threaten the reputation and stability of the Canadian system.

By mid-June, tbe Bank of Canada had advanced almost C$1.2bn in short-term loans to CCB and a bandful of other hanks to tide them over beavy withdrawals by nervous depositors. Ottawa bas also bent the rules of the Canada Deposit Insurance Corporation by reimbursing all depositors in some of the failed trust companies. CDIC's coverage is normally limited to deposits below C$60,000. The corporation, now deeply in the red, is currently the subject of an urgent government review.

The banks received further bad naws in April when the federal government published its proposals for sharpening competition among Canada's financial institutions. The recommendations—to be discussed with the private sector

Financial institutions

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before becoming law—leave no doubt that the euthorities want to give more leeway to three of the treditional four pillars of the Canadian financial system —trust companies, insurers, and investment deelers—while holding hack the fourth, the banks.

Under the new proposals, owners of trust companies, insurance groups and other financial institutions would be given considerably more freedom to spread their wings. The key concession is one that would permit them to own their own banks through federally-regulated holding companies, thus in effect side-stepping the present restrictions on commercial lending by trust companies. Special rules are envisaged to prevent conflicts of interest from arising.

On the other band, curbs on existing banks will be retained, at least until the scheduled ten-year review of the Bank Act in 1990. A single shareholder's interest in a domestically-owned bank (known as a schedule "A" bank) will be restricted to 10 per cent, while the banks will be barred from owning more than 10 per cent of another financial institution. Foreign-owned, or schedule "B" banks' assets will remain pegged at 16 per cent of total domestic banking assets.

Investment dealers' room for manoeuvre will also he expanded if proposals hy the Ontario Securities Commission—which normally sets the trend for the rest of the country—are accepted. The OSC has recommended a significant relaxation of ownership rules which would allow foreigners and other financial institutions to bold up to 49 per cent of a securities firm's shares. A limited number of foreign-controlled dealers with combined capital of up to 30 per cent of the industry total would be created.

These steps towards deregulation have drawn praise from some quarters, hut caused dismay in others. If implemented, they are expected to be of the greatest benefit to trust companies and increasingly powerful financial service conglomerates such as Trilon Financial (controlled hy Peter and Edward Bronfman) and the Desmaraise family's Power Financial Corp of Montreal.

Thanks to their low international exposure and beavy dependence on the reletively stable residential mortgage market, the trust companies' performance has outclassed that of the banks in recent years. Mr Robin Cornwell of the securities firm Gordon Capital estimates that the trust and loan industry was 50 per cent more profitable than the banks last year, measured by return on assets and shareholders' equity.

By meshing the marketing, data processing and human resources of various types of institution, financiers like the Bronfmans and Desmarais have started to create diversified groups which are challenging the banks in several areas of their business.

The Bronfman empire includes the country's second-largest trust company (Royal Trust), the higgest real estete agency (Royal La Page), one of the top ten life insurers (London Life) and two companies (Great Lakes and Hees International) which are emerging as Canadian equivalents of British merchant banks.

Similarly, Power Financial's network includes Investors Group, the country's leading mutual fund distrihutor end personal financial planning company. Power is broadening its international horizons hy raising its stake in Geneva-based Pargesa, which has links with banks and securities firms in Europe and the U.S.

Banks and investment dealers, in particular, ere concerned that the recently-published deregulation proposals will intensify the competitive challenge from these conglomerates, while heightening the risk of conflicts of interest and e chain reaction if one arm of e diversified group runs into difficulty. The securities industry and other smaller players fear growing foreign domination and/or concentration of power in the financial services industry.

Mr James Pitblado of Dominion Securities only half-jokingly predicted last month that the Investment Dealers Association will consist of just eight members seven years from now—five of them foreign-controlled and one of the remaining three a joint venture between Canadian Pacific, Royal Bank and the Canadian Imperial Bank of Commerce.

THE FOUR PILLARS

● Chartered banks are the only institutions with full freedom in commercial lending. Number: 72, including 14 domestically controlled schedule A banks and 58 foreign-owned schedule B banks. All banks are regulated by the federal government in Ottawa. Largest: Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Toronto-Dominion Bank.
● Trust and mortgage loan companies may offer discretionary and fiduciary services, but are limited in the amount of their commercial lending. They offer s wide range of deposit accounts and real estate agencies. Number: 66. Most are provincially regulated. Largest: Canada Trust, Royal Trust, National Trust, Canada Permanent.
● Insurance Companies are allowed to underwrite life insurance and issue life-contingent annuities. Number: 371, of which 186 are life insurers and 314 property and casualty companies. Most are fedarally regulated. Largest: Life—Sun Life, Manufactnrers Life, Great-West Life, Property/casualty—Co-operators General, Royal, Lloyd's of London.
● Investment dealers have a monopoly on corporate securities underwriting and stock exchange membership. Other activities inclnde merger and acquisition advice, some deposit-taking and research. Number: 70, all provincially regulated. Largest: Dominion Securities Pitfield, Wood Gundy, Burns Fry, Richardson Greenshields, Merrill Lynch Canada.

Source: The Regulation of Canadian Financial Institutions (Government Report, April 1985); Financial Post 500.

Nato's poor relation to spend more

AFTER BEING the laughing stock of Nato for much of the past two decades, Canada has begun to take its military effort more seriously again.

Defence spending is set to rise hy about 3 per cent in real terms to C$9.4bn in the year to March 1986, opening up new opportunities for both local and foreign defence contractors. Mr Erik Nielsen, Defence Minister and one of the most conservative members of the Mulroney Cabinet, in powar since last September, said recently that "our intention is that the direction of our defence effort be up—not down."

Although Canada's defence budget remains one of the lowest per head of population among Nato members, the new government has demonstrated the higher priority being given to defence by adding 1,200 people to Canada's 9,000-strong force stationed in West Germany.

Some of tha current moves to beef up the armed forces were begun under the former Liberal government following mounting criticism from its Nato partners at the poor state of Canada's defence capability.

Tha Air Force has already taken delivery of about four dozen of its 138 new CF-18 fighters. The last of the RCAF's aging CF-101 Voodoo aircraft was retired from service six months ago, and its CF-104 Starfighters will be withdrawn next year.

Six new frigates are being built for the navy, whose present fleet dates mainly from the 1950s and 1960s. Submarines are expected to be next on the list of purchases.

Tn the consternation of Its Nato allies, the Department of National Defence last April chose two Swiss and ona Swedish-led consortia as final bidders for a C$600m low-level air defence system to defend Canadian forces in Europe. The final choice, likely to be beavily influenced by bidders' contribution to economic activity in Canada, is scheduled to be mada next spring. Thomson-CSF of France, one of the unsuccessful bidders for the air defence contract, has nonetheless set up a new venture in Canada to provide project management for defence-related systems.

Closer military ties with the U.S. have embroiled the new conservative Government in several controversies over the past nine months. Although the leat nuclear weapons on Canadian soil were removed more than a year ago, the vociferous anti-nnclear lobby as well as others concerned about Canada's political independence are afraid that growing co-operation with the U.S. In the military field will impinge on Ottawa's independence of action.

Within three months of the Conservatives taking office, a team of Pentagon officials travelled across Canada to brief local manufacturers on opportunities for U.S. defence contracts. The first in s series of U.S. Cruise missile tests was completed over Canada last March under a 1983 agreement allowing the U.S. to see Canadian Air space and ground facilities for weapons tests.

Suspicions that Canada is becoming an integral part of Washington's defence planning were beightened by another agreement, signed by Mr Mulroney and President Reagan at their Quebec City summit last March, to modernise the string of radar stations in the Arctic which provida early warning of Soviet bombers and Cruise missiles.

Defence

BERNARD SIMON

The new "north warning system" will consist of 13 long-range and 39 short-range radar stations stretching from Alaska to the Labrador coast. Canada will operata and maintain the system from October 1989 and contribute 40 per cent of the costs. Canadian companies will supply communications equipment for the net work.

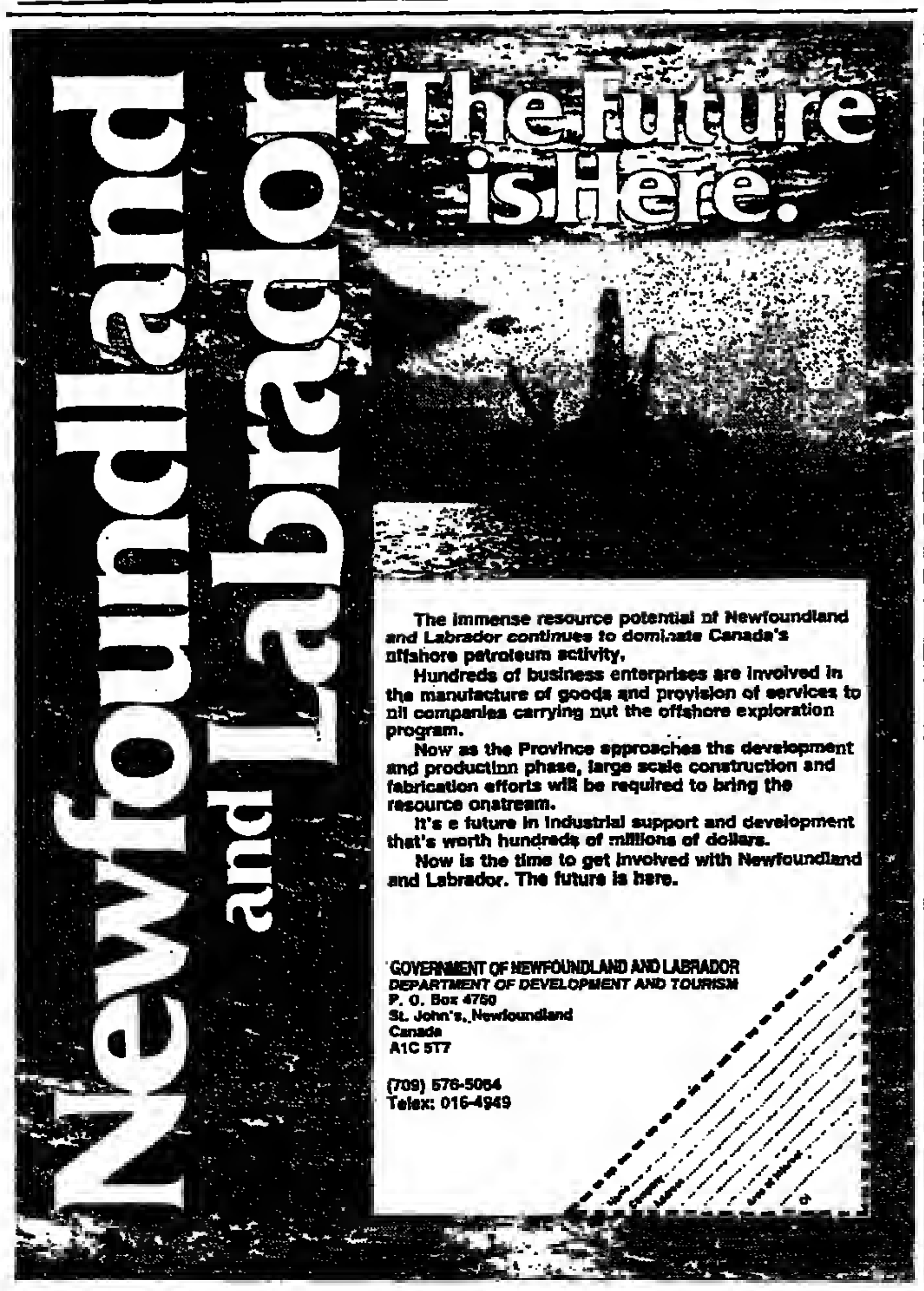
Despite strong government denials, opposition groups suspect that co-operation In modernising the north warning system is a prelude to Canada's involvement in President Reagan's Star Wars strategic defence initiative. Canadian participation in Star Wars bas become a divisive and strongly-debated issua.

Defence contractors, such as Spar Aerospace and Canadian Astronantics, are in a good position to participate in Star Wars contracts, and have urged Ottawa to endorse Mr Reagan's plans. Mulroney initially expressed support, noting the benefits for economic activity in Canada. But he has fudged the Government's attitude since the depth of opposition in Canada to the project became clear.

A senior civil servant has spent the past few months examining the costs and benefits of official Canadian participation, and the Cabinet is expected to consider his report within the next few weeks.

Even if the government declines to give its open backing, Ministers have made It clear that Canadian companies will be free to bid for Star Wars contracts. The business community worries, however, that without wholehearted official support, Canada will get a smaller share of the work and new investments will not be given the full benefit of government financial incentives for industrial development.

Prime Minister Mulroney and President Reagan exchange pens and put them in their pockets after signing an agreement in Quebec City in March to modernise the North American defence warning system



Taboos over issue of free trade

OTTAWA'S representatives have been repeating it almost to the point of boredom: "Canada is open for business."

For tha outside world, what does that catchphrase mean? It means that:
● The Mulroney Government returned to power last September made it one of its first tasks to liberalise the laws providing that foreign investment in Canada must be screened by the Government, and that
● Canada wishes Its exports to the U.S., which account for three quarters of Its total exports to be placed upon a safer basis by the conclusion of an agreement for freer and perhaps even free mutual trade with Washington.

Both intentions touch upon a very sensitiva subject, the independence of Canada from its intimately close and over-sized neighbour. During more than e century recurrent waves of Canadian economic nationalism have sought to keep foreign and especially American husiness at arm's length.

Hence the institution of the Foreign Investment Review Agency by the Liberal predecessors of the Conservative Government or Mr Brian Mulroney in Ottawa.

Hence also Mr Mulroney's admission in an interview with the Financial Times that the connotation of the words "free trade" was not always good in Canadian history. But he was quick to add that Canada must secure an enhanced share of the U.S. market. For the moment the words "free trade" are taboo in Ottawa, partly to avoid stirring up opposition, partly because the Government is genuinely uncertain bow far it will really wish to go.

In the case of foreign investment the opposition, at least in the federal Parliament, was not especially pronounced. Legislation has gone through to rebaptise the Foreign Investment Review Agency and to give it a new tenor. Investment Canada, as it is now called, is to promote investment in Canada. A network of foreign service officers, concentrated especially in the U.S., Western Europe and Japan, will he installed to help intending foreign investors with advice about what will face them in Canada.

Investment Canada will differ from Its predecessor in two chief respects. In the politico-psychological sphere it is likely to he less suspicious of foreign capital because of its brief and because of the attitudes of the present Government.

Where the nuts and bolts of the new law are concerned, it exempts entirely from screening all new investment (as opposed to takeovers) with the minor if significant exception of new investment in the cultural field. That means activities such as publishing, or the production or exhibition of film or video products, recorded music or sheet music.

Foreign takeovers will be exempt from screening if the value does not exceed C$5m (about £2.9m), unless the takeover results in the transfer of ownership of a Canadian company from one foreign owner to another. In that case the limit rises to C$50m.

Opportunities for delay afforded by the old Fira system have been reduced. Under the old system e foreign investor's application could in practice be delayed indefinitely. Under the new system no extension of the period allowed for a ruling is possible beyond 75 days, unless the foreign investor agrees.

The new legislation also makes it easier for a Canadian company with e large foreign shareholder to carry out takeovers in Canada without the need for screening. The exemption will apply (except in the area of cultural activities) provided s majority of the shares of the company making the

Trade and investment

W. L. LUETKENS

takeover are owned by Canadians and provided thet management is in its majority Canadian.

Fira, now dead, was often described as a paper tiger. More than 80 per cent of the applications before it were allowed. But its nuisance value was high and nobody knows bow many applications from foreign investors were never submitted because of its existence.

Civen the new atmosphere in Ottewa and the exemption from screening of new investment, Investment Canada should prove an even gentler beast. But the power to disallow applications for all but small takeovers is retained. As in the case of Fira, the proof of the pudding will be in the eating.

At the moment it is impossible to say what will emerge from the Mulroney Government's intense study of how it wants to enhance its trade relations with the U.S. Mr James Kelleber, Minister of International Trade, has been instructed to place his recommendations before the Cabinet in September. A quick decision will theo have to be made unless Ottawa is prepared to be bogged down as the U.S. drifts into the campaign for the off-year congressional election in November 1986.

Washington has let the Canadians know that it is prepared to listen to whatever they will propose. But that does not mean it is going to be an easy negotietion once Canada has made up its mind what it wants. Mr Mulroney has undertaken to take into account the very disparate interests of the 10 Canadian provinces and President Reagan will bave to taka account of an increasingly protectionist Congress.

The existence of this protectionist trend is the real reason for the initiative that Canada is considering. It wants to protect iself against the protectionists.

In theory, multilateral tariff cutting within the Gatt will by 1987 eliminate duties on 80 per cent of Canada's present export range to the U.S. and on 65 per cent of the exports in the reverse direction. But Canada is constantly heing threatened or hit with unilaterally-imposed quotas or sudden non-tariff barriers against products such as these that Ottawa wants to erect a line of defence.

For its part, the U.S. may be presumed to want similar protection against, for instance, the restrictive procurement policies of some Canadian provincial governments. But it is equally possible that the U.S. may be looking upon the whole exercise as a means to exert presure upon its European and Japanese trading partners to resume multilateral tariff cutting in Gatt.

For this reason, but elso because e U.S.-Canedian agreement, whatever its final shape, could discriminate against others, Europe especially is likely to be suspicious about whatever Ottawa and Washington wish to cook np.

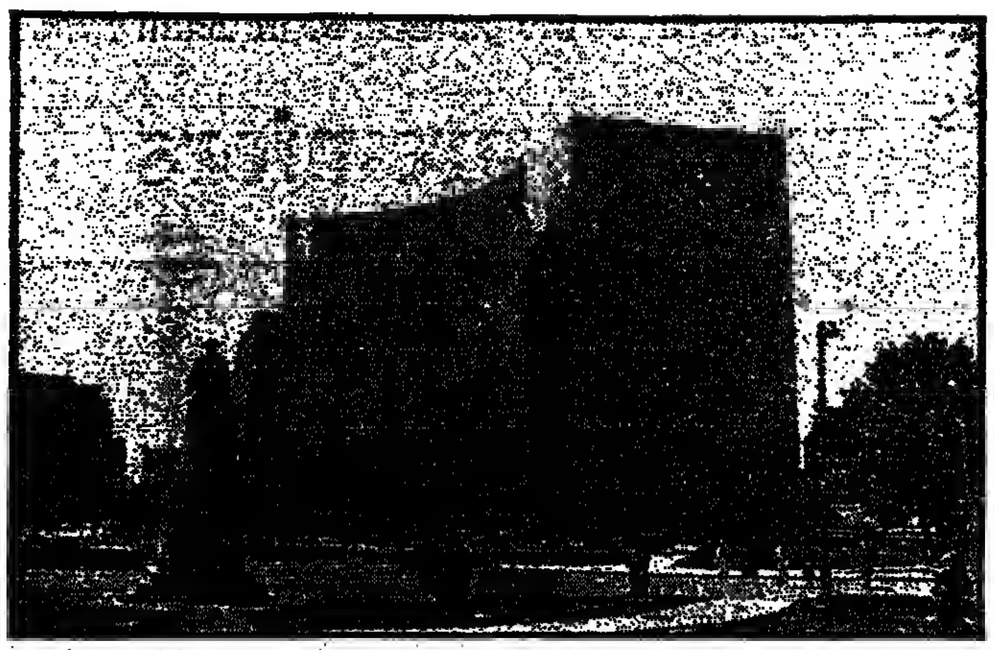
If, as seems probahle at this time, Ottawa does not ask for e free trade zone, the Europeans will watch jealously that the alternative conforms to Gatt rules. The rules which permit free trade areas without a common external tariff (such as the EEC has) are, bowever, somewhat amhiguous. They refer to the elimination of duties within the area on "substantially" all trade.

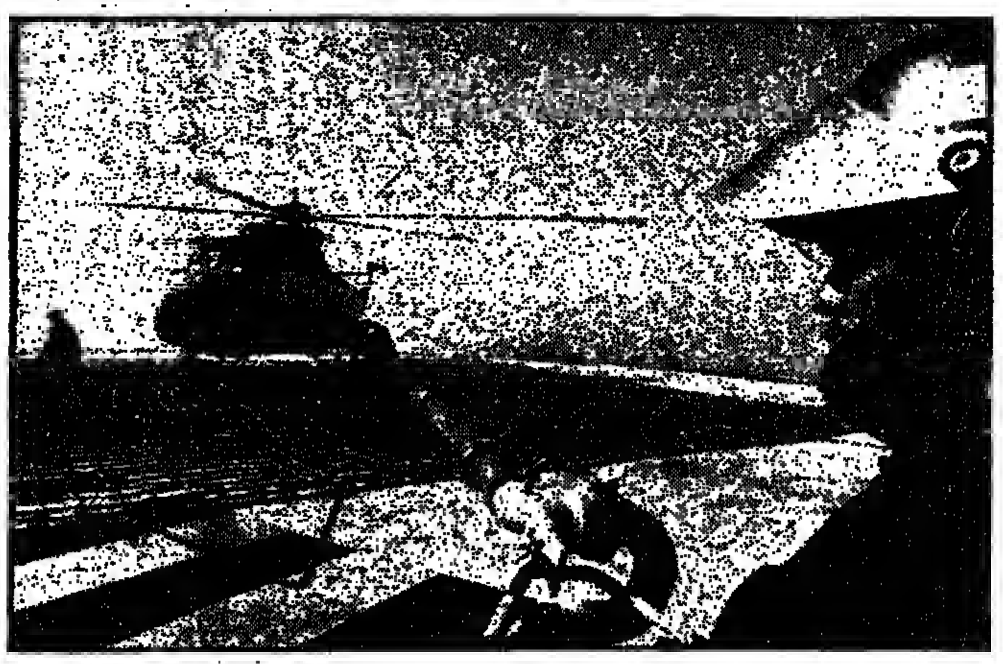
What that means appears never to have been defined precisely and policy planners in Ottawa have seized upon this uncertainty. All in all, a great many problems remain to be wrestled with, within Canada, between Canada and the U.S., and with the rest of Gatt before these aspirations for "trade enhancement" are put into practice.

Canada's exports by trading areas

(per cent)	1960	1970	1980	1983	1984
United States	55.8	64.4	63.2	72.9	75.6
United Kingdom	17.4	9.0	4.3	2.8	2.2
Other Western Europe	11.3	9.6	10.6	5.8	5.0
Japan	3.4	4.9	5.9	5.3	5.1
Other Asia	2.2	2.9	4.0	4.4	3.8
Other	9.9	9.0	12.0	8.8	8.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Lipsey and Smith: Canada's Trade Options.





Above: headquarters building at Toronto of Ontario Hydro, the power company of the province. Below: firefighter stands by during a crew change on an oil drilling rig off the Grand Banks, east of Newfoundland

Prices pick up after nosedive

Forest products

ROBERT GIBBENS

A PERSISTENTLY strong U.S. appetite for most grades of newsprint and business papers, plus the large discount on the Canadian dollar, have enabled Eastern Canada producers to put the 1981-82 recession finally behind them.

But the story for Western lumber and market pulp producers has been very different. After a mild flurry more than a year ago, prices for North American construction lumber slumped and only recently have picked up a bit. Pulp prices also went into a dive after a brief recovery from the recession, and not much improvement is expected until well into the second half.

Integrated Western producers have seen their hopes for profit recovery dashed and have put off modernisation and expansion indefinitely. Some smaller companies specialising in lumber and pulp are still losing money even after drastic cutbacks in operations. Some have had to sell off other businesses acquired during the more prosperous 1970s to diversify away from the notorious lumber-market-pulp cycle.

The U.S. rate of housing starts has remained well below the 2m a year mark, and Canada's has been down to about 150,000. The high U.S. dollar, and in international terms a relatively high Canadian dollar, have allowed enough Scandinavian imports of pulp and even lumber to keep market prices at rock-bottom, and no immediate signs of relief are visible. Lumber producers in the East have also been feeling the pinch.

The bounce and the strength in the Canadian forest products industry is almost entirely confined to the East. While the basic newsprint price increase posted in April has been delayed until July or even later, and demand for some grades has slipped a bit with the arrival of summer, Eastern Canada paper producers are embarking on another round of modernisation that will cost between $2bn and $3bn over the next five years.

This is not the helter-skelter beggar-thy-neighbour expansion of the 1960s and 1970s when Canadian producers at times thought they could control the U.S. price of newsprint even though they were marginal suppliers. It is based on much more careful market research and study of the impact of the Tokyo Round tariff cuts between Canada and the U.S. by 1987.

Essentially this means Canadian fine paper producers, or the firms that make businesses and copying papers mainly, no longer will have a protected domestic market. There will be open competition across the border at all times. Thus Domtar has to spend nearly C$800m to renew and expand its fine paper mill based on hardwood resources located about 80 miles east of Montreal. It must specialise and increase production runs to compete on a continental scale. Its productivity measure, as in its newsprint mills, is against the best American producers.

Other fine paper producers in Northern Ontario have invested hundreds of millions in modernising their pulping and paper operations, and small producers, such as Rolland Paper, near Montreal, are building up their distribution interests in the north-eastern U.S. ready for the fray.

The Eastern Canada pulp and paper industry has made immense strides since 1979 to improve energy performance, instal thermo-pulping and speed up old machines. Governments have played their part by keeping energy prices down and helping to finance modernisation.

Swedish technology has been imported for specialised pulp for the tissue market; Valmet of Finland has taken over management and a half-share in ownership of Canadian General Electric's pulp and paper machinery division, and a host of smaller equipment companies have been helping to improve process control and achieve the higher-quality sheets now required for the U.S.

There is still some way to go, and the industry knows it may not have the large Canadian dollar discount to bolster its profits for ever.

CIP Inc, the former Canadian International Paper acquired nearly three years ago for about $1bn by Canadian Pacific, is near break-even and has managed to bring its large newsprint mill in New Brunswick back from the brink.

Consolidated Bathurst, one of the first to see the boom in demand for groundwood printing papers, is relatively well placed but has problems now with its Ellesmere Port newsprint mill in Britain because of the quirks of exchange rates.

Companies such as Domtar, Abitibi-Price, Reed, Donohue, Great Lakes Forest Products and Fraser all have major programmes for the next five years in the newsprint and groundwood printing papers. The lightweight coated papers used in high-quality advertising fliers have been in short supply from time to time in the past two years, but a new major increment in capacity will come in during 1986-87 in New Brunswick with a $400m project by Repap Enterprises, a Montreal group which also owns a large lightweight coated paper operation in Wisconsin.

River drivers skilfully poling logs downstream to the sawmills on the St. Anne River, Quebec.

In the container and packaging areas, major rationalisations during the recession have helped performance, and in the tissue sector, growth has followed the Canadian economy in general with markets fairly competitive.

Raymond Kilroy, forest products analyst as Nesbitt Thomson Bongard, in Toronto, sums up the feeling in the market when he urges investors to concentrate on companies with good exposure to pulp and paper products, especially newsprint, packaging and fine papers. Several of them should outperform the market in the next year or 18 months, he believes.

Western forest products companies will probably improve performance in 1985 and 1986, especially with a better labour climate and a firmer grip on costs.

But profits in the West will continue to lag seriously and signs of a real revival in the lumber and pulp markets are not encouraging.

Operating rates for all 1985 should average well over 90 per cent nationally in newsprint and groundwood specialities. In the first four months of 1985, Canadian shipments of newsprint, groundwood specialities, fine papers, kraft papers, tissue products, and packaging materials totalled almost 4.8m tonnes, up from 4.4m tonnes in the 1984 period and 4m tonnes in 1983. The U.S. took 2.6m tonnes, compared with 2.38m tonnes and 2m tonnes, mostly in newsprint.

Even though restrictions on Canadian exports of lumber to the U.S. remain possible because of the strength of the U.S. lumber industry lobbies, it is the newsprint market in the U.S. that is so critical for the Canadian forest products industry. Even with the Canadian dollar worth only 72 cents (U.S.), Canadian production costs remain higher than the most efficient U.S. producers.

Gas and oil producers in bullish mood

Energy

BERNARD SIMON

THE GLOOM in international energy markets contrasts sharply with new-found enthusiasm among Canada's oil and gas producers.

Combined earnings of the five largest integrated oil companies bounded up by 51 per cent last year and are expected to advance strongly again in 1985 and 1986—even without a revival of international energy prices. Oil and gas shares have touched record levels on the Toronto stock exchange recently. Strong investor demand encouraged Texaco to increase the size of a share issue by its local subsidiary earlier this year to C$480m, making it the biggest ever share offering in Canada.

The bullish mood has even taken hold at the troubled Calgary group Dome Petroleum, which was rescued by the Canadian government three years ago. Despite its onerous C$6.4bn debt, Dome's share price has risen by more than 50 per cent in the past year.

At the heart of the burst of confidence are the benefits received by the oil and gas industry from the new Conservative government in Ottawa. Arguably, no other group in Canada has been as favoured since the Tories came to office last September.

The new government has largely fulfilled its pledge to dismantle the punitive provisions of the National Energy Programme, imposed by the Liberals in 1980 to expand energy self-sufficiency and promote activity in the remote Arctic and east coast regions. At the same time, it has made substantial progress in achieving the NEP's goal of higher Canadian ownership in the oil and gas industry.

The first spin-off of more cordial relations between the federal government and the provinces was an agreement last November governing the management of Newfoundland's offshore oil and gas reserves and the distribution of tax revenues.

Ottawa made major concessions to the western provinces of British Columbia, Alberta and Saskatchewan in the so-called "Western Accord" signed last March. Despite the Finance Ministry's efforts to trim the budget deficit, Prime Minister Mulroney and his well-regarded Energy Minister, Miss Pat Carney, deemed it politically wise to sacrifice substantial tax revenues from the oil and gas industry, and to raise oil prices at the wellhead and give producers greater freedom to negotiate export terms.

The main provisions of the Accord include:

● Phasing out the controversial Petroleum and Gas Revenue Tax between January 1986 and the beginning of 1989. The tax, currently set at 12 per cent, will not apply at all to new projects brought on stream before that date.

● Deregulation of the domestic oil market from June 1 1985. There is no longer a distinction between "old oil" discovered before 1974 (and formerly priced below world market levels) and "new oil," whose price roughly followed international levels. Before decontrol, about 30 per cent of Canadian oil consumption (including imports) was subsidised, and 50 per cent of domestic output fetched the artificially low "old" price.

● Dismantling of the Petroleum Incentives Programme, which has provided generous grants (linked to the level of Canadian participation) to companies drilling in the Arctic or off the east coast. PIP grants, which have soaked up several billion dollars in public funds since 1980, will be discontinued next March, except in the case of existing commitments. A new tax-based incentives system is now under consideration.

One remaining feature of National Energy Programme, the "back-in" provision allowing the government to take up to a 25 per cent interest in new frontier discoveries, will—the government promises — be ditched later this year.

The Provincial Government of Alberta gave oil and gas producers another boot in late June by announcing new royalty holidays and a five percentage point cut in royalty rates. These concessions, designed to reward success rather than drilling activity, are estimated to be worth C$1.4bn a year.

The Western Accord's tax concessions are expected to boost industry cash flows by C$1.3bn in 1985 and by about C$9bn over the next five years. Decontrol of oil prices will bring sizable benefits to companies with large "old" oil reserves. Texaco's Canadian subsidiary, for example, has estimated that the price of two-thirds of its crude oil output rose by more than C$8 a barrel on June 1.

Looser controls on exports have enabled Canadian gas producers to become more aggressive in the U.S. market, trimming prices to push up volumes. Dome predicts that its gas output will rise from 550m cubic feet in 1984 to 800m cubic feet within the next year or two.

Federal energy planners estimate that the Western Accord will contribute to a 7-8 per cent increase in Canadian oil output by 1990, equal to new volumes of 110,000 barrels a day. On a broader front, they expect the tax breaks and other measures to boost oil companies' capital investment by 25 per cent.

The climate in the industry started improving a year or two ago when the former Liberal government began quietly to turn its back on some NEP provisions and producing provinces started to lure new investment with royalty concessions. Investment has thus been picking up for some time. The Western Accord and Canada's proximity to the U.S. market have assured that the trend will continue—and perhaps accelerate—for at least the next few years.

Miss Carney estimates that new investments worth C$15bn are already in progress. With reserves of conventional crude oil flattening out, much of the activity will centre on the development of tar sands deposits and construction of facilities to turn bitumen or heavy oil into lighter crudes. Syncrude, the giant oilsands project in northern Alberta, is expected to spend C$4bn on an expansion programme. Petro-Canada, Imperial Oil (Exxon's Canadian subsidiary), Shell and BP are among the companies expanding their oilsands interests.

Development of east coast oil and gas reserves is hampered by uncertainty on the size of gas deposits off the Nova Scotia coast and technical disagreements between the Newfoundland government and Mobil Oil on the best means of exploiting the Hibernia field, whose commercial viability is also in doubt. East coast production is unlikely to start for several years.

On the other hand, hopes have risen recently that the long search for oil and gas in the north-west Arctic may soon produce results. Gulf Canada has made two significant finds in the Beaufort Sea and plans several delineation wells next winter to assess their commercial viability.

The new mood of optimism has tended to distract attention from a number of clouds still hanging over the industry. One is the question of decontrol of natural gas prices, an issue which may develop into a bitter wrangle between the western producing provinces and the new Liberal administration in Ontario, where consumers would like prices to be held artificially low.

A further decline in world energy prices could wipe out many benefits of the Western Accord to Canadian producers. Mr James Dunlap, president of Texaco Canada, cautioned recently that "with decontrol and the opening up of the Canadian borders come the full competitive pressures and impacts of the world market prices for oil and gas. Canada can no longer consider itself insulated from world events." The dismantling of the NEP and more relaxed attitude to foreign investment in general has not prevented the Conservative government from pressing foreign oil companies to increase Canadian participation. Approvals of acquisitions by several U.S. companies have been held up while Ottawa has negotiated undertakings to expand local ownership. Texaco Canada's share issue has reduced the parent company's stake from 90 per cent to 80 per cent. Chevron has agreed to sell its 60 per cent interest in Gulf Canada to the property developer Olympia and York.

The Gulf transaction will lift Canadian ownership in the oil and gas industry from 40 per cent to 45 per cent, enabling the government to argue that its generosity to producers has brought concessions in return.

Prospects for the provinces depend on national policies. Four provinces are considered in detail here.

Federal budget cuts worry premiers

Atlantic provinces

PARKER DONHAM

As the Mulroney administration rushes to embrace private sector solutions to Canada's economic woes, the four Atlantic provinces, historically the poor sisters of the Canadian confederation, fear being left behind.

Conservative premiers are ot the helms of all four provincial governments so political loyalty has muted public expressions of this anxiety for the first eight months of the new federal government. But the release of federal Finance Minister Michael Wilson's May Budget, which included restraint measures with o disproportionate impact on tha region, loosened critical tongues.

"We're concerned about it," said Mr Jim Lee, Prince Edward Island Premier, after a recent meeting with his counterparts from Nova Scotia and New Brunswick. Chief among the premier's concerns are plans to strip C$2bn from federal transfer payments to the provinces for health, education, and welfare by 1990, and a projected C$200m-a-year cut in tranport subsidies which keep down the cost of food, agriculture, and consumer goods in the region.

Residents on Cape Breton Island, with one of the highest unemployment rates in Canada, have protested against the closure of two loss-making heavy water plants announced in the budget. To soften the blow, new industrial projects on the Island will qualify for generous financial support from the government.

Elizabeth Beale, chief economist with the Atlantic Provinces Economic Council, a regional economic think tank, says the budget's reliance on private enterprise to comoensate for these cutbacks is inappropriate in the Atlantic Canada. "Our private sector is very small," Ms Beale said. It'a all very well to talk about tax incentives, but tha influence of that kind of thing in this region is going to be nil."

In Nova Scotia, largest and most affluent of the four provinces, concern about the impact of the May budget is heightened by a series of recent energy policy changes.

Early this year, the Mulroney Administration resolved a longstanding dispute which had caused bitter wrangling during the Trudeau years between Ottawa and the oil-and-gas-producing provinces of western Canada. However, the resulting "Western Accord" greatly diminished prospects for substantial oil and gas development off the coast of Nova Scotia, the one province that had come te terms with the former Liberal administration.

To reach that agreement, Nova Scotia bad surrendered jurisdiction over offshore development in exchange for the principal share of offshore revenues. However, in dismantling the Liberals' National Energy Programme, the Western Accord eliminated the very revenue-generating measures that Nova Scotia counted on.

Specifically, the Western Accord eliminates the 12 per cent Petroleum and Gas Revenue Tax (all of which would have flowed to Nova Scotia under the now moribund Canada-Nova Scotia agreement), the Petroleum Incentives Programme (under which frontier drilling off Nova Scotia is subsidised by up to 80 per cent).

Mrs Pat Carney, tha Federal Energy Minister, says reaching a new deal with Nova Scotia is her first priority. But negotiations to that end have been sluggish.

Drilling off *Nova Scotia has* produced no substantial quantity of oil, but a series of small, marginal gas fields. One of these, Mobil Canada's 2 trillion (million million) cubic-foot Venture field, has been inching its way towards production. The cost of transporting gas to the north-eastern United States, falling gas prices, competition from Western producers eyeing the same markets, and the need for larger reserves remain significant obstacles.

Newfoundland's Premier Brian Peckford, 43, survived a winter election (albeit with a significantly reduced majority) largely on the strength of his own newly negotiated energy deal with Ottawa. The "Atlantic Accord" stresses shared jurisdiction and revenue, and so is less sensitive than Nova Scotia's pact to the changes wrought by the Western Accord.

By ending years of jurisdictional paralysis, the Newfoundland deal lured back many of the drilling rigs that had deserted its waters for Nova Scotia in recent years.

Despite this promise Newfoundland remains poor by Canadian standards. Per capita income is only C$8,580 (against a national average of C$12,839) and unemployment stands at a startling 24.1 per cent. The province's fishery, by far the largest employer, has been slow to recover from o crisis that resulted in a major restructuring last year.

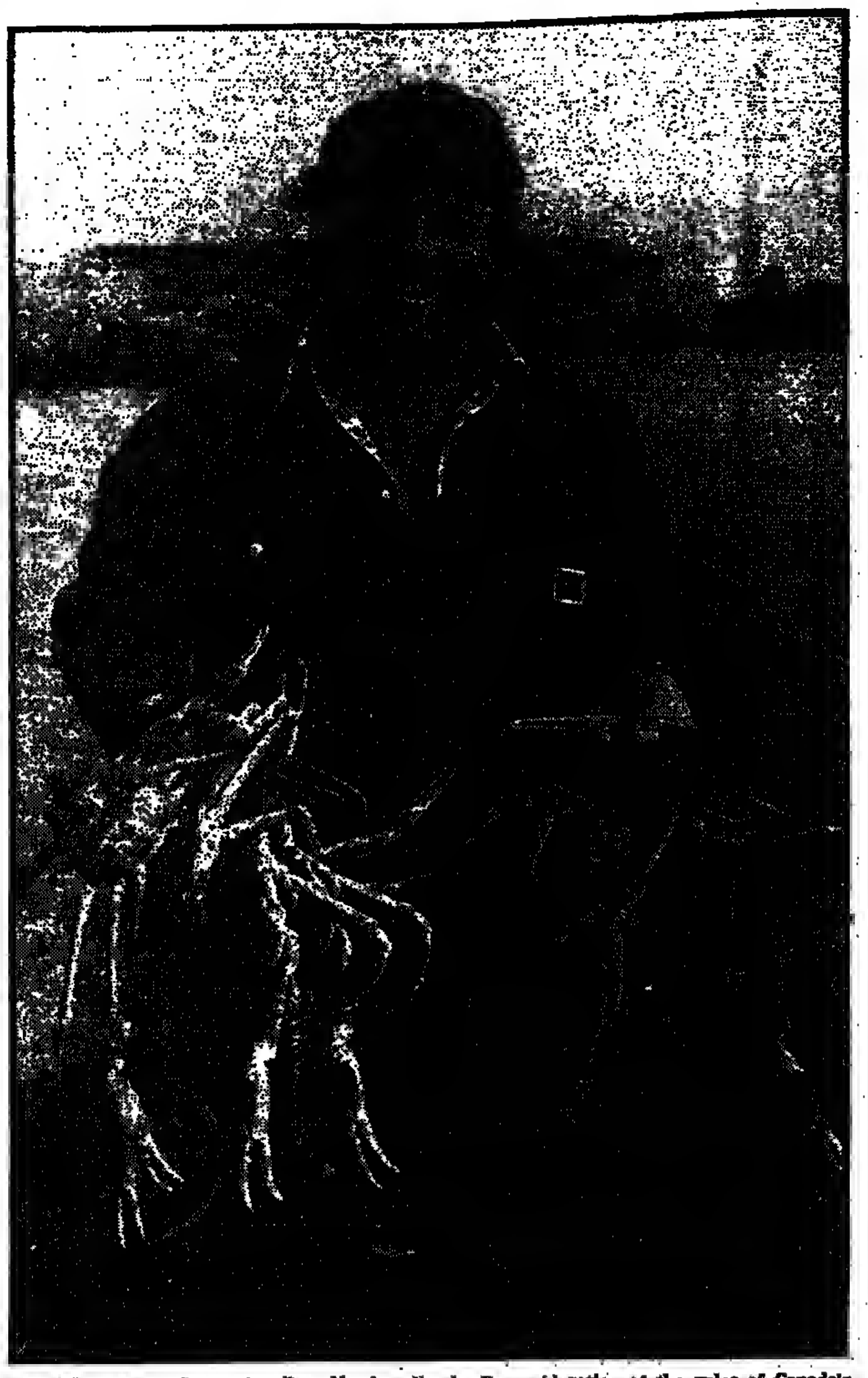
In New Brunswick, a heavily-forested province sandwiched between Quebec and the State of Maine, economic issues have been overshadowed by uncertainty over the political future of Premier Richard Hatfield, whose 15-year term of office is by far the longest of any provincial leader. Hatfield's troubles began when Royal Canadian Mounted Police guards discovered a small packet of marijuana while searching a suitcase as he was about to board a royal flight during the Queen's visit to New Brunswick last autumn.

Hatfield was acquitted of a possession charge, but in a May by-election for what should have been a safe Conservative seat, the government candidate was trounced.

In tiny Prince Edward Island, a pastoral province of 126,800 known quaintly as The Garden of the Gulf, the economy both rises and falls with the price of fish and potatoes. Currently, both are down. A bumper crop of potatoes in 1983 has left inventories high, and U.S. potato farmers are pushing for import restrictions.

A decision to award lucrative exploratory crab-licenses to 14 PEI vessels sparked a bitter row with neighbouring New Brunswick, where a court ruled that labour mobility provisions in the new Canadian Constitution barred the federal fisheries minister from assigning fish quotas on a *province-by-province* basis.

The decision could force a rethinking of tha rules governing Canada's highly-regulated fishing industry, the world's largest. One possible outcome would see fishermen assigned individual quotas, a move long urged by economists who have studied the issue as a way of shifting emphasis from increasing quantity to increasing quality and efficiency.



Crab fisherman at Conception Bay, Newfoundland. Reconsideration of the rules of Canada's highly-regulated fishing industry could result in fishermen being assigned individual quotas.

Economy cranks into higher gear

Western Canada

ROBERT SHEPPARD

THE AUDIBLE HUM in the oilmen's clubs of western Canada these daya is the sound of an economy cranking into a higher gear. Buoyed by the recent deregulation of Canadian oil prices, as well as the promise of pricey regional projects — a world's fair next summer in Vancouver, a major hydro utility in northern Manitoba— there is suddenly n new optimism in the West, a re-awakening sensa of its place in the sun.

For tha first time in three years of recession, Alberta's energy-dominated economy is expected to show real growth this year. Indeed, most of the country's major forecasters are predicting that the three most westerly provinces will buck the national trend towards slower expansion in 1985 and post real economic gains of between 2.5 and 3 per cent, about equal to the overall Canadian average.

In the expense-account restaurants of Calgary these days, the cocktail chatter is no longer full of bruised mutterings about a Liberal federal government. The Liberals went out in September and their policies with them. Now the talk is of actual business deals.

Major resource companies are starting to re-hire professional staff after three years of laying off engineers and geologists. It is also becoming increasingly difficult to get a good hotel room in Calgary for the mid-week business traveller. Still, in spite of the bullish optimism of the energy sector, on which the new Conservative Government in Ottawa is gambling billions of dollars in tax breaks hoping that it will become an engine of the national economy, there are still major structural problems in the west.

Even as sanguine an optimist as the Alberta Premier Mr Petar Lougheed warns that the full effect of economic recovery is unlikely to be felt in his province until at least three years' time.

But having steered the province through the oil boom and bust, and having negotieted a more favourable oil industry regime with Ottawa, Mr Longbeed announced his impending retirement from politics last week.

Calgary, Alberta. The province has one of the strongest economies in Western Canada as a result of directing oil and gas drilling offshore.

Static world oil prices along with such legacies as overbuilt housing and offices and damaged small businesses will continue to hamper the recovery. Even in tha favoured areas of Alberta where there are a half dozen important projects gearing up to produce more petroleum from heavy oil or tar sands, the trickle-down effect is minimal.

Energy companies are no longer showering money about like confetti as they were in the late 1970s. The Conference Board of Canada predicts that in spite of the stronger growth in the region this year, unemployment will actually rise west of the Ontario-Manitoba border.

Of the four western Canadian provinces, the two strongest economies are to be found in Alberta and Saskatchewan, where recent federal energy policies have redirected oil and gas drilling to the sedimentary plains from the more exotic, and speculative offshore frontier.s

Because of its rich supply of these resources and more than C$14bn in its Heritage Savings Trust Fund, Alberta is in the best position to take advantage of this trend. The provincial government is promising to do what it can to help underwrite some major projects and even to participate in export consortia.

Moreover, Alberta energy officials are very optimistic that this will be the year when natural gas reserves in the U.S. begin to dwindle, finally opening up that market for the province's vast reserves.

A recent study by a federal department says that big businesses plan to spend an additional C$6bn in Alberta this year, making it second only to the much larger Ontario, and not by very much, in the investment sweepstakes.

On paper Saskatchewan has some of the best economic statistics of the region, with an unemployment rate of obout 9 per cent, tha lowest in the country, and growth prospects of about *3 per cent over last year.*

However, to achieve this it has had to resort to deficit finance to the point where the provincial deficit is nearing C$1bn. The Tory provincial government has had to impose a surtax on residents.

Saskatchewan is counting desperately on a bumper grain harvest this summer, still the mainstay of its economy, after a crop in 1984 which was devastated by one of the worst droughts in history — and with much of the rest eaten by a cyclical plague of grasshoppers. The effects of that poor harvest are still being felt in the retail outlets of Saskatoon, the freight profits of Canadian National Railways, and the grain ports of Vancouver and Prince Rupert in British Colombia. Both are operating at about a third of normal capacity.

For British Columbia the lack of grain for shipment aggravates the problems of its own resources: flat world markets for coal, minerals and lumber, and growing protectionist views in the U.S. against Canadian pulp and cut logs.

With an unemployment rate of 15 per cent, second only to Newfoundland, the recession in British Columbia has been dubbed the worst in 50 years with "virtually no signs" that it has ended, according to the chief economist for the B.C. Central Credit Union.

The Social Credit Government of Mr William Bennett is counting on Vancouver's Expo '86 to take the province out of the doldrums, and recently sounded a full retreat from its ultra-conservative philosophy.

In a spring budget, the Government cut about C$1bn in corporate taxes over the next three years in a gamble to get the economy moving again.

One of its problems is that innovation in the two primary resource sectors, forestry and mining, has meant greater efficiency but a substantial loss of jobs, a situation the province is hoping to remedy now by using tax incentives to jump-start its small business sector and lure high-tech firms to its "lotus land" locale.

Manitoba is also having problems with U.S. protectionism, in this case in n localised "hog war" that is barring Canadian pork from many central states. But its problems are more fundamental.

The most "central" of the western provinces, Manitoba did better than the others in 1984 because of its more diversified base. However, its manufacturing sector is faring more poorly this year, leaving it at the bottom of the pack, and there has been significant head office exodus from the province to Toronto in the textile field, one of Manitoba's traditional regional strengths. Led by the only New Democratic Party Government in the country, Manitoba's Premier, Mr Howard Pawley, also found himself the odd-person out at the recent western premiers' conference, the only one directly to criticise the new Conservative Government in Ottawa and agree reluctantly to seek a pact with the U.S. for free trade, providing there was a long transition period to protect Manitoba manufacturing.

Local passions-national issues

Ontario

W. L. LUETKENS

LEWIS CARROLL'e Alice would have felt at home in Ontario this summer. A Conservative regime in power since 1943 lost its majority after an election campaign during which the loudest fuss was kicked up about an educational issue on which there supposedly was all-party agreement.

But evidently many Protestant Conservatives felt that tha Tory Government had been too liberal in agreeing to extend the *public funding of Catholic* schools. It is the sort of issue that still arouses passions in Ontario.

Reduced to a following *of* 51 members (plus himself) in the provincial Parliament, Mr Frank Miller, the Tory Prime Minister, promptly tried to steal the clothes of every perty in sight with a bundle of proposals for measures that he would have sniffed at before the election.

But Ontario is not Wonderland. On June 19 Mr Miller was defeated by the joint effort of 48 Liberals and 25 New Democrats, the latter a party of moderate social democrats. The Lieutenant Governor, representing the Crown, called npon Mr David Peterson, 41, the Liberal leader, to form a Cabinet.

Mr Peterson had obtained the New Democrats agreement to support him without forming a coalition. The agreement is for at least two years provided all goes well.

This bout of political fun and games was more than the end of an era in Canada's largest, most populous and wealthiest province. It does have implications for the country's commercial policy and intention of the federal Government at Ottawa to seek an agreement for freer or even free trade with the U.S. — discussed elsewhere in this survey.

Mr Miller had agreed to moving in that direction when Ottawa sounded out the provinces during the spring. Since Ontario's considerable manufacturing industry grew up behind a protective tariff, Mr Miller may have had his doubts, but did not at the time insist on them.

Mr Peterson left no doubt about his position in an interview with the Financial Times: "We shall not be promoting the so-called free trade line which has been floated mainly by academics," he said.

Mr Peterson, boyish-looking and very much in the nice guy mould, is afraid that American concerns, which dominate so much of Canadian manufacturing, would be tempted to run down their Canadian plants and serve the Canadian market from the U.S. if free trade should be introduced.

David Peterson: Running a microcosm of Canada, he has obtained the New Democrats' agreement to support him without forming a coalition, while opposing a free trade line

Since foreign trade is a federal responsibility, he will have no direct influence on the issue. But Mr Brian Mulroney, the federal Prime Minister, needs provincial support if be is to offer the U.S. guarantees against non-tariff barriers to trade.

As a Liberal, Canadian-style, Mr Peterson is likely to be more critical of foreign investment than the Tories in power et Ottawa. Foreign takeovers, be says, are not productive.

He is at one with Ottawa in welcoming new investment whether foreign or domestic. But it is improbable that under his premiership Ontario will return to a policy pursued in the past of subsidising big new industrial ventures, often in competition with neighbouring states in the U.S. or in Quebec. Industrial strategies apart, budget stringencies will make thet difficult.

As the Tories have done in the past year or two, the Peterson Government is likely to concentrate its efforts on encouraging small business. Help is likely to be made conditional upon new jobs being created. In addition, Mr Peterson would like to put more resources into education and turning out the highly-skilled people required to give Ontario's high-technology industries a needed boost.

Mr Peterson insists that be is well aware that what matters to business is the bottom line. He ought to know since he has been president of his family's business which retails, wholesales and also assembles electronic goods.

The province that Mr Peterson bas been called upon to run is a microcosm of Canada. Tbat is its strength and its weakness, with a strong manufacturing sector as well as farming, forestry and mining (thougb little oil), Ontario has a better balanced economy than any other Canadian province.

It had little direct share in tha resources boom of the 1970s, but weathered recession, when it came, rather better than the resource provinces did.

Like Canada at large, Ontario has suffered from slow growth of prodnctivity. The reasons still are a subject of wide differences between Canadian economists.

Ontario also has the strongest service sector in Canada: Toronto, tha capital of Ontario, is the uncballenged banking capital of Canada. During the oil boom of the 1970s there was talk of large parts of the financial services industry migrating westward, especially to Alberta, where the money seemed to be. It never heppened. In fact once the oil bubble bed burst the big Toronto banks found themselves bailing out some western newcomers.

The better balance of the Ontarian economy, deriving 10 per cent of output from resources and related processing and 21 per cent from secondary manufacturing, enabled tha province to come out of recession more strongly than the rest of tha country. Canade's gross domestic product went np by 4.2 per cent last year. The figure for Ontario was 7.1 per cent, dragged up by demand from tha U.S.

After that bead start, Ontario is now likely to level off while more favourable regulatory policies are expected to give a boost to western oil and gas. It is estimated by Informetrica of Ottawa that growth in Ontario for the remainder of the decade will average 2.9 per cent, as against 2.8 per cent for Canada.

The westward drift which moved the Canadian economic centre of gravity from the Atlantic in the 19th century via Quebec to Ontario seems therefore to have been arrested.

Not that recession has passed Ontarlo by. The car and truck industry, wbicb is tha state's largest industrial employer, was badly hit in 1981 when the U.S. market, its main customer, collepsed. The industry, which is almost entirely American-controlled, is anxiously awaiting the outcoma of exchanges between Washington and Tokyo and Ottawa and Tokyo abont the acceptable level of Japanese car sales in North America.

Nonetheless, the auto industry is engaged in a phase of heavy investment. In a survey of investment intentions Informetrica lists: General Motors, a C$1bn (about £580m) assembly olant modernisation at Oshawe; Honda, a C$100m assembly plant, Alliston; GM, C$255m plant modernisation, St Catharines; Volkswagen, C$40m on components plant, Barrie; American Motors, C$764m assembly plant, Brampton; GM and Suzuki, assembly plant for Suzuki mini-car (announced only).

The Ontario steel industry, with 2.3m tons of steel shipped in the first quarter of 1985, is among the most efficient in North America. Its future prospects will depend closely on the fate of the North American motor industry. Investment schemes of more than C$2bn have been proposed or are already in hand.

Mining has been in the doldrums for years as epecific use of metals declines and international competition takes its toll. But there is one bright spot at Hemlo, where gold has been found which can be mined profitably at present world prices without special subsidy. Two mines are under construction and another is proposed at a total cost of about C$800m.

The petrochemical centre at Sarina has been e source of constant worry for years. It uses oil as a feed stock and has difficulties competing with gas-based competitors in western Canada and with the Gulf coast in Texas.

Tbus the industrial picture is not uniformly rosy. Stagnation in the motor industry would make it hard indeed to work down appreciably the present unemployment ratio of about 8.9 per cent. The need for industrial restructuring and an even more pronounced export orientation is therefore widely accepted. It is a challenga to both entrepreneurship and to government.

Separatist hope is subdued

Quebec

ROBERT GIBBENS

THE STRIDENT push for Quebec separation of the 1960s and 1970s has passed into history with the resignation of Mr Rene Levesque, 62, from the leadership of the ruling Parti Quebecois after 25 years in politics.

Mr Levesque, who won a provincial election for tha Liberals almost single-handed in the 1960s by campaigning for a provincial takeover of the privately-owned power companies, went on to found the PQ from a dozen separatist groups. He continues as premier until a new leader is chosen. That will be done by a leadership convention summoned for September 29.

There will be four or five hopefuls but the likely winner is Mr Pierre-Marc Johnson, still in his thirties and son of the late Union Nationale premier Deniel Johnson, and e moderate on tha independence issue like Mr Levesque.

No one was surprised by Mr Levesque's resignetion, after months of rumours ebout his health, but his impending departure marks a major turning point. Whether the next general election comes in the late antumn or next spring, at the end of the PQ government's mandate, the trend in Quebec public opinion is decidedly towards moderation and accommodation with Mulroney government in Ottawa.

Robert Bourassa: the swing away from the issue of independence, marked by Rene Levesque's resignation, means that he may well form a government of the centre

This has been dramatically shown by the polls for two years, which give the Quebec Liberals under Robert Bourassa about 60 per cent of the popular vote or twice that of the PQ.

Quebec netionalism and the issue of independence will never go away, but for the time being the Francopbone majority of Quebec is more Interested in having less government, lower taxes and more jobs. The next government, which may well be formed by Mr Bourassa, will be one of the centre.

The PQ has been trying to move there since 1981 under Mr Levesque, but it has steadily lost credibility end relevance. Through the 1960s and 1970s, Quebec prided itself on its quiet revolution, modernisation of the economy and the social system, the reduced influence of the Roman Catholic Church, and steady gains in antonomy from Ottawa.

By the late 1960s, as Prime Minister Pierre Trudeeu picked up the federal Liberal mantle from Lester Pearson, many were agitating for independence. It was Mr Levesque's gift for compromise and realism thet brought them together in the Parti Quebecois.

When be turned Mr Bourssa from office in November 1976, a majority of Francopbone Quebecers felt they bad "their own" government at last, free from taints of deals with Anglopbone business interests.

But the Levesqua government's language legislation and coddling of the unions which had belped to put it in power led to an exodus of more than 100,000 Anglophones from Montreal. French hed indeed become tha primary language of the workplace in the city.

But with the second oil crisis In 1979-80 the economy was already slowing up. When the world recession of 1981-82 came, unemployment rose to an official rate of nearly 15 per cent in Quebec.

At the same time, Mr Levesque lost the 1980 referendum on a question so long end dense as to be almost meaningless, though everyone knew that sovereignty for Quebec was the real issue.

Since the provincial elections which the PQ won in 1981 It has been mostly downhill for the party leading to the resignation of three ministers and formation of a splinter group within the PQ caucus committed to fighting the next election on the issue of independence.

The economy has swung back from recession much faster than anyone had hoped, but the PQ has not been able to garner much credit. The mood of public opinion bas cbanged and Francophones oocc again want to stretch out e hand to their neighbours.

They heve won the language battle in Montreal, as they would have done by force of numbars without the language legislation. So the Parti Quebecois of Mr Levesque has largely lost Its raison d'etre; the new Francopbone middle class has been taking over the reins of economic power and feels no need of tutelage from any political party.

The issue at the coming PQ leadership convention is really wbether Mr Johnson, e qualified medical doctor and lawyer, can claim to be able to catch the new mood of Quebec, put aside several rivals, and inspire confidence in the PQ as a centre party dedicated to restoring prosperity and solving urgent economic and social problems.

Mr Bourassa, re-elected to the assembly at a by-election in June, bas been trumpeting that only the Quebec Liberals can bring back the prosperity of the 1960s and early 1970s, cut taxes to Ontario levels, and negotiate an honourable constitutional accord with Ottawa.

Mr Levesque's successor will have precious little time. When the assembly closed for the summer recess, the PQ technically had a majority of one, though seven separatist members of the PQ caucus are unlikely to vote with the Liberals.

Mr Johnson bas handled three difficult ministries, incinding Social Affairs and Justice. He is a moderate and has been careful to avoid offending anyone—be tends to appear indecisive at times.

But many middle-class Francophones say they would prefer Mr Johnson to Mr Bourassa, especially if be moves the PQ away from independence and "big government." At the convention, what be may lose among independents be will pick up from the centre.

When the Assembly meets In the autumn though, assuming he wins, he may find the pressures for en early election intensifying severely.

If an election were beld today most observers would give the Liberals a clean sweep, even though Mr Bourassa has not shown that be can gather together some big names for an effective government.

However, with the departure of Mr Levesque, virtually ali the major figures from two terms of PQ government heve left the political stage and Mr Johnson wiii also bave to demonstrate that he can build an effective team.

A struggle to become Canadian

Cultural identity

W. L. LUETKENS

The trouble with Canadians is that they spend half their time convincing the Americans they're not British, and the other half convincing the British they're not Americans, which leaves them no time to be themselves.

THE STUDENT rag at McGill, the English language university at Montreal, from which that jibe is taken hits off well the more ludicrous side of the struggle for Canadian identity. It is a struggle against domination by two overpowering and closely related cultures. In one form or another, it has characterised much of Canada's cultural, political and economic life since colonial times.

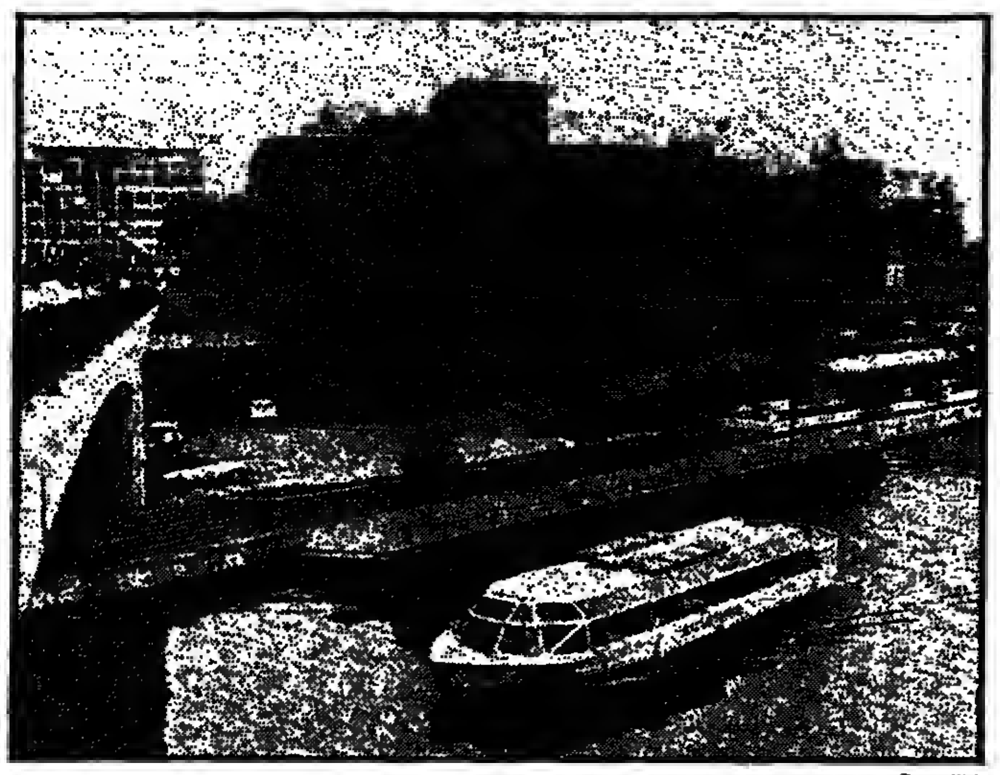
That student show was put on in 1957, before the resurgence of Quebec. Yet even then it should have been evident in Montreal that Canada is a country of French as well as English speakers.

The *quebecois* have just as much trouble convincing the metropolitan French that they are not Americans—and convincing Americans that they are a special breed of French. But they seem to have no trouble at all being *quebecois*.

That is not the full measure of the students' omissions which their successors at McGill today would find hard to repeat. Canada is also home to many tightly-knit ethnic groups—Scandinavians, Greeks, eastern European Jews, Ukrainians—who generally use English at work but who have clung to old customs and often their language with remarkable tenacity.

Amid the skyscrapers of downtown Toronto a procession and band in Chinese or Portuguese costume may look a bit forlorn, but it is not out of place. There is even a Minister of Multiculturalism in Ottawa whose job it is to support these cultural transplants.

With muffins for breakfast, bagpipe bands and St Patrick's Day parades, the immigrant groups from the British Isles have stuck as closely as any to their ancestral habits. Of the more recent arrivals, only the Germans appear to have assimilated almost entirely into the Anglo-Canadian pattern. The others have to a great extent resisted the tendency to go into a North American melting pot as has happened in the U.S.



Terry Kirk

The National Arts Centre at Ottawa. With resident English and French language theatre companies it typifies Canadian bilingualism. The Centre also is home to an orchestra

Canada could never follow that example: it would destroy the Anglo-French duality which is of the essence of Canada.

Canadian unity needs to contend not only with this ethnic diversity. It is exposed also to a continuous magnetic pull from the U.S. side of the border. Most important Canadian cities are closer to a big U.S. city (and its TV stations) than to a Canadian one of equal rank. The western, central and Atlantic areas of Canada share more problems with their immediate U.S. neighbours than with their more distant Canadian fellow-citizens.

To counteract this southward pull, Canadian Governments have set up east-west lines, the chief of which are the 19th-century railways and two creations of the 1930s: the national air line, Air Canada, and the Canadian Broadcasting Corporation (CBC).

The latter derived much of its inspiration from the British Broadcasting Corporation. It has played an honourable part in spreading literary culture in a country which was slow to emerge from colonial patterns. Moreover, it broadcast all the way across the country in both English and French, constituting some sort of a lifeline for minorities.

Before the 1939-45 war, Toronto, the largest city of English-speaking Canada, had one professional theatre offering a fare of imported U.S. shows. Now Toronto has dozens of theatre companies, mainly but not exclusively playing to small audiences, with a solid repertoire of Canadian-written plays. Canada's breed of playwrights was nurtured by the CBC, which gave them their first professional outlet.

More surprisingly, Winnipeg has a well-regarded ballet company and western cities like Edmonton and Calgary their professional theatres.

This account may render understandable a clutch of Canadian measures of cultural protectionism (or of protection for Canadian culture). There are, for example, minimum times during which Canadian radio and TV is expected to broadcast programmes considered to be "Canadian." Advertisers who use U.S. stations or publication to deliver their material to Canadian viewers, listeners or readers may not deduct the costs for purposes of Canadian tax.

And foreigners may be prevented from founding publishing houses or film and video businesses in Canada.

The latter restriction was retained in a revision this year of the Foreign Investment Review Act. Even though the tide is at present running against nationalism, it remains a factor not to be ignored.

There is no denying that at times it has taken absurd forms. In the early days many Canadian broadcasting stations fulfilled their Canadian content requirement by broadcasting hours of imported popular music on Canadian-played cinema organs. A tariff on records keeps Canadian pressing shops in work without doing a great deal for Canadian culture.

Canadian Actors' Equity, like stage unions elsewhere, watches jealously lest foreign actors be engaged to play parts for which, it thinks, Canadians are available. By agreement, the immigration authorities support this closed-shop system by withholding visas. But there is nothing to stop the theatrical or musicians' tour.

As in other countries, budgetary stringencies have reduced the flow of government subsidy to the arts. CBC is faced with the need to make staff cuts. Canada Council, which funds some 1,900 individual artists and writers and another 2,000 groups such as orchestras and theatre companies, needs to reduce expenditure this year by C$1.1m (about £685,000) to C$67.5m.

An interdepartmental group in Ottawa is trying to work out ways to encourage business to increase its support to the arts which, in 1982, is estimated to have come to no more than C$10m.

It is a moot point whether protection and subsidies have produced a specifically Canadian culture. What can be said is that the parochialism of the colonial era is fast disappearing.

Writers such as Margaret Atwood and Michel Tremblay can hold their own in the larger setting of English and French as languages of world literature.

The Montreal Symphony Orchestra is among the world's best. The days are over when Samuel Butler discovered the cast of a Greek statue hidden away in a museum because it was naked and sighed his celebrated "Oh God, oh Montreal."

Sculptor Nathan Jackson at work on the 25ft totem pole

Indians and Eskimos find their future

While Canadians of European origin struggle to maintain a separate identity in relation to their mother cultures and the huge influence of the U.S., the Indians and Eskimos of the North American region face increasing pressures on their own cultures.

One way in which centuries-old customs and ways of life are being kept alive is by encouraging artists like Nathan Jackson (above), a Tlingit Indian sculptor who travelled to London recently with other Indian and Eskimo artists, to demonstrate their craft in the Museum of Mankind.

There he carved a 25-foot high totem pole using the traditional tools of adze and knives, and a power tool. Totem poles celebrate the importance of an individual clan chief or his family through the display of crests with *mythological origins*.

The Indians have lived on the fringe of European influences for 300 years, trapping and hunting to supply furs to trade companies in return for tools, weapons and clothing. The price has been an increasing assimilation of their traditional lands and identity.

In the Arctic circle, the Eskimo way of life, developed over nearly 1,000 years of adaption to the hostile northern environment, began to change with the arrival of whalers, fur traders, missionaries and the Royal Canadian Mounted Police.

The exploitation of oil, gas and mineral resources, and the siting of Nato installations in the last two or three decades has altered their life drastically.

Though Eskimos, known in Canada as Inuit, the name they give themselves, still hunt and fish using dog teams and skin-covered boats, the availability of snowmobiles and imported goods has changed everything. Most now live in settled communities, and their former harsh existence is receding into the past.

Modern habits have also brought modern disadvantages. The use of snowmobiles in the last 15 years enables large distances to be *covered quickly, but a breakdown can force a* hazardous 50-mile walk to safety.

These cultures, while not safe, are surviving on the fringe of the cash economy. Increasing political consciousness has led to a growing movement in support of maintaining Indian and Eskimo rights. And the Eskimo language, Inupiaq, is still widespread in some parts of the region and experiencing a revival.

MICHAEL STRUTT